THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Zhuguang Holdings Group Company Limited ("**Company**"), you should at once hand this circular to the purchasers or transferees or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchasers or transferees.

珠光控股
ZHUGUANG HOLDINGS

ZHUGUANG HOLDINGS GROUP COMPANY LIMITED

珠 光 控 股 集 團 有 限 公 司 *

(incorporated in Bermuda with limited liability)

(stock code: 1176)

(1) VERY SUBSTANTIAL DISPOSAL: DISPOSAL OF 100% EQUITY INTEREST IN, AND LOAN DUE TO, A SUBSIDIARY; AND (2) NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting ("**SGM**") of the Company to be held at Meeting Room No. 1, 19/F., Zhuguang Xincheng International Centre, Block B, No. 3 Qingyi Street, Race Course Road, Tianhe District, Guangzhou, The People's Republic of China on Friday, 17 July 2020 at 2:15 p.m. (Hong Kong time), is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the respective websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and of the Company (www.zhuguang.com.hk). Whether or not you are able to attend the SGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 2:15 p.m. (Hong Kong time) on Wednesday, 15 July 2020 or in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

24 June 2020

** For identification purpose only*

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"15 Economic Organisations"	the fifteen rural collective economic organisations involved in the Project, which are owned by the original residents of the Land through Huocun Econ Organisation
"Attributable Financing Area"	such area of the Financing Area amounting to 844,195 sq.m. which the Purchaser shall be entitled through the Target Company and the Project Company after the Completion, comprising (i) the residential area of 760,420 sq.m.; (ii) the Educational Institutions of 41,804 sq.m.; (iii) the Public Service Area of 20,000 sq.m.; and (iv) the public facility area of 21,971 sq.m.
"Board"	the board of Directors
"Business Day"	means a day (excluding Saturday, Sunday and public holiday) on which banks in the PRC are open for business and a day (excluding Saturday, Sunday and public holiday) on which the bank in the place at which the bank account of the Purchaser is opened is open for business
"Business Valuation Report"	the business valuation report issued by Greater China regarding the market value of the Target Company as at 29 February 2020, which is set out in Appendix V to this circular
"BVI"	the British Virgin Islands
"Co-Development Agreement"	the co-development agreement dated 22 April 2020 and entered into between the Vendor, the Company, Skyleap, the Target Company and the Purchaser in relation to the Disposal
"Company"	Zhuguang Holdings Group Company Limited (珠光控股集團有限公司*) (stock code: 1176), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the transfer of the Sale Equity Interest and the assignment of the Sale Loan from the Vendor to the Purchaser
"Conditions Precedent"	conditions precedent to the Completion as set out in the paragraph headed "Conditions Precedent" in the Letter from the Board in this circular
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

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"Development Agreements"	the development agreements entered into among, the Company, Huocun Econ Organisation and Dongjin Company in relation to the development of the Project
"DJ Profit Sharing Right"	has the meaning ascribed to it under the paragraph headed "Asset to be disposed of" in the Letter from the Board in this circular
"DJ Service Fee"	the sum which Dongjin Company (or any entity at its order) has to receive for the transfer of the DJ Profit Sharing Right from Dongjin Company to the Company, which is also regarded as the upfront service fee payable to Dongjin Company for its provision of services in relation to the Project (including obtaining approval on the urban renewal proposal and land use right of the Financing Area, and provision of demolition and relocation management and coordination) for the period from 2018 to 2020, and consists of a service fee of RMB300 million for each of 2018 and 2019
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Equity Interest and the Sale Loan by the Vendor to the Purchaser pursuant to the Co-Development Agreement
"Dongjin Company"	Guangzhou Dongjin New District Development Company Limited* (廣州東進新區開發有限公司), a company established in the PRC and an Independent Third Party, whose holding company and ultimate beneficial owner are Science City and the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), respectively
"Educational Institutions"	a 72-classes school and two 18-classes kindergartens, which in aggregate, attribute to 41,804 sq.m. of the Attributable Financing Area
"Financing Area"	part of the Land of a site area of approximately 354,213 sq.m., with area which can be constructed of approximately 289,122 sq.m., comprising residential area of approximately 864,527 sq.m., commercial properties and offices of approximately 95,843 sq.m.; the Educational Institutions; the Public Service Area; public facilities of approximately 33,465 sq.m.; and properties for old village relocation of approximately 25,917 sq.m.; and is divided into six districts which will be developed in six phases

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"GFA"	gross floor area
"Greater China"	Greater China Appraisal Limited, an independent professional valuer
"Group"	the Company and its subsidiaries
"Guangzhou Rongcheng"	Guangzhou Rongcheng Investment Development Company Limited* (廣州融晟投資發展有限公司), a company established in the PRC and a substantial shareholder (as defined in the Listing Rules) of the Target Company. The ultimate beneficial owner of Guangzhou Rongcheng is Huang Kai Xing* (黃開興).
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Huocun Econ Organisation"	Guangzhou Huangpo District East District Street Huocun Economic Organisation* (廣州市黃埔區東區街火村社區經濟聯合社) (now known as Guangzhou Huangpo District Yunbu Street Huocun Economic Organisation* (廣州市黃埔區雲埔街火村社區經濟聯合社)), a rural collective economic organisation established in the PRC and owned by the original residents of the Land
"Independent Third Party(ies)"	third party(ies) independent of the Company and connected persons of the Company
"Land"	the land located at Huocun, Huangpu District, Guangzhou City, Guangdong Province, the PRC with a site area of approximately 615,086 sq.m., which is divided into the Financing Area and the Reconstruction Area
"Latest Practicable Date"	19 June 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	12 months from the date of the Co-Development Agreement (or such later date as the Vendor, the Company, Skyleap and the Purchaser may agree in writing)
"Non-Attributable Financing Area"	the Financing Area other than the Attributable Financing Area

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"Outstanding Capital Utilisation Fee"	the capital utilisation fee recorded as other receivables due to the Company from the Project Company, being the aggregate capital utilisation fee payable by the Project Company to the Company up to Completion pursuant to the 2018 Agreement For Setup Of Project Company as disclosed under the paragraph headed "Major agreements entered into in relation to the Project" in the Letter from the Board in this circular, which will be derecognised upon Completion according to the applicable accounting standards
"Outstanding Development Costs"	the development costs of the Project which have yet to be incurred and paid as at the date of Completion, which shall be assumed by the Purchaser in favour of the Company at Completion
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Project"	the urban renewal project in respect of the Land for the purpose of, re-developing the Land and the buildings thereon into residential, commercial and office areas
"Project Company"	Guangzhou Hongxiang Real Estate Company Limited* (廣州宏祥房地產有限公司), a company established in the PRC with limited liability and undertaking the Project
"Property Valuation Report"	the property valuation report issued by Greater China regarding the market value of the Attributable Financing Area as at 31 March 2020, which is set out in Appendix IV to this circular.
"Public Service Area"	public services area which attributes 20,000 sq.m. to the Attributable Financing Area
"Purchaser"	Guangzhou Bohao Corporate Management Partnership (Limited Liability Partnership)* (廣州博浩企業管理合伙企業(有限合伙)), a partnership established in the PRC with limited liability, the ultimate beneficial owners of which are Wen Tian Na* (溫天納) and Zhang Yi* (張懿)

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"Reconstruction Area"	part of the Land of a site area of approximately 260,873 sq.m., with area which can be constructed of approximately 231,378 sq.m., comprising residential area of approximately 764,300 sq.m., common facilities of approximately 84,020 sq.m., commercial properties and office of approximately 26,460 sq.m.; and is divided into five districts which will be developed in five phases, subject to final approval by the government
"Remaining Group"	the Company and its subsidiaries immediately after Completion
"RMB"	Renminbi, the lawful currency of the PRC
"Rong De"	Rong De Investments Limited (融德投資有限公司), a company incorporated in the BVI with limited liability, being the controlling shareholder (within the meaning of the Listing Rules) of the Company
"Sale Equity Interest"	100% equity interest in the Target Company
"Sale Loan"	all such sum of money advanced by way of loan by the Vendor and/or the subsidiaries of the Company to the Target Company, the Project Company and Yuxiang Investment and due and owing by the Target Company, the Project Company and Yuxiang Investment to the Vendor and/or the subsidiaries of the Company as at Completion, which amounted to approximately RMB1,831 million (equivalent to approximately HK$2,033 million) as at 31 December 2019
"Science City"	Science City (Guangzhou) Investments Group Limited* (科學城(廣州)投資集團有限公司), a company established in the PRC and an Independent Third Party. It is the holding company of Dongjin Company which has been designated by Dongjin Company to receive fees on its behalf. The ultimate beneficial owner of Science City is the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會).
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company convened to be held at Meeting Room No. 1, 19/F., Zhuguang Xincheng International Centre, Block B, No. 3 Qingyi Street, Race Course Road, Tianhe District, Guangzhou, the PRC on Friday, 17 July 2020 at 2:15 p.m. (or any adjournment thereof), further details of which are set out on pages SGM-1 to SGM-3 of this circular

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"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the share(s) in the share capital of the Company
"Silver Grant"	Silver Grant International Holdings Group Limited (銀建國際控股集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 171), out of which 681,240,022 shares (representing approximately 29.56% of its issued share capital) were held by the Company as at the Latest Practicable Date
"Skyleap"	Skyleap Investments Limited, a wholly-owned subsidiary of the Company and the sole shareholder of the Vendor
"sq.m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Guangzhou Yuhong Investment Company Limited* (廣州御宏投資有限公司), a company established in the PRC with limited liability and a non-wholly-owned subsidiary of the Company
"Total Consideration"	the total consideration for the Disposal
"US$"	United States Dollars, the lawful currency of the United States of America
"Vendor"	United Talent Investments Limited, a wholly-owned subsidiary of the Company
"Vendor Group"	the Company, the Vendor and Skyleap
"Yuxiang Investment"	Guangzhou Yuxiang Investment Company Limited* (廣州御祥投資有限公司), a company established in the PRC and wholly owned by the 15 Economic Organisations. It is the sole shareholder of the Project Company.
"%"	per cent

In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK$ using the exchange rate of RMB1:HK$1.1102, unless otherwise indicated. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

References to time and dates in this circular are to Hong Kong time and dates.

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珠光控股
ZHUGUANG HOLDINGS

ZHUGUANG HOLDINGS GROUP COMPANY LIMITED
珠 光 控 股 集 團 有 限 公 司 *

(incorporated in Bermuda with limited liability)

(stock code: 1176)

Executive Directors:
Mr. Chu Hing Tsung *(alias Mr. Zhu Qing Yi)* *(Chairman)*
Mr. Liu Jie *(Chief Executive Officer)*
Mr. Liao Tengjia *(Deputy Chairman)*
Mr. Huang Jiajue *(Deputy Chairman)*
Mr. Chu Muk Chi *(alias Mr. Zhu La Yi)*
Ms. Ye Lixia

Independent non-executive Directors:
Mr. Leung Wo Ping *JP*
Mr. Wong Chi Keung
Dr. Feng Ke

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:
Room 5702-5703, 57th Floor
Two International Finance Centre
8 Finance Street
Central, Hong Kong

24 June 2020

To the Shareholders

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL DISPOSAL:
DISPOSAL OF 100% EQUITY INTEREST IN,
AND LOAN DUE TO, A SUBSIDIARY;
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to (i) the announcement of the Company dated 22 April 2020, pursuant to which the Company announced that on 22 April 2020, after trading hours, the Vendor, a wholly-owned subsidiary of the Company, the Company, Skyleap, the Target Company and the Purchaser entered into the Co-Development Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Equity Interest at the consideration of RMB1,500 million (equivalent to approximately HK$1,665 million) and the Sale Loan (which amounted to approximately RMB1,831 million (equivalent to approximately HK$2,033 million) as at 31 December 2019) at the face value of the Sale Loan at Completion, upon and subject to the

* *For identification purpose only*

terms and conditions of the Co-Development Agreement; and (ii) the announcement of the Company dated 19 June 2020 in relation to the acquisition of 10% equity interest in the Target Company by the Vendor from Guangzhou Rongcheng.

The purpose of this circular is to provide you with, among other things, (i) details of the Co-Development Agreement and the transactions contemplated thereunder; (ii) the Property Valuation Report; (iii) the Business Valuation Report; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice to convene the SGM.

Set out below are the major terms of the Co-Development Agreement:

THE CO-DEVELOPMENT AGREEMENT

Date

22 April 2020

Parties

(a)	Vendor:	United Talent Investments Limited, a wholly-owned subsidiary of the Company
(b)	Target Company:	Guangzhou Yuhong Investment Company Limited* (廣州御宏投資有限公司), a non-wholly-owned subsidiary of the Company
(c)	Company:	Zhuguang Holdings Group Company Limited, a company incorporated in Bermuda with limited liability
(d)	Skyleap:	Skyleap Investment Limited, a wholly-owned subsidiary of the Company
(e)	Purchaser:	Guangzhou Bohao Corporate Management Partnership (Limited Liability Partnership)* (廣州博浩企業管理合伙企業(有限合伙))

The Purchaser is a partnership established in the PRC with limited liability. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is principally engaged in corporate management advisory services, corporate management services, investment advisory services, corporate-owned funds investments and project investments, and the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed of

Pursuant to the Co-Development Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Equity Interest and the Sale Loan.

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Sale Equity Interest

As at the Latest Practicable Date, the Sale Equity Interest (none of which has been paid up as at the Latest Practicable Date) represented the entire equity interest of the Target Company, which was held as to 90% by the Vendor and 10% ("**RC Sale Equity Interest**") by Guangzhou Rongcheng, while the profit of the Target Company was shared as to 73.8% by the Vendor, 18% by Dongjin Company ("**DJ Profit Sharing Right**") and 8.2% by Guangzhou Rongcheng.

As a Condition Precedent, the Vendor shall complete the acquisition ("**RC Sale Equity Interest Acquisition**") of the RC Sale Equity Interest from Guangzhou Rongcheng on or before the Long Stop Date to allow the Vendor to sell the entire Sale Equity Interest, representing 100% equity interest in the Target Company and 82% profit sharing right of the Target Company, to the Purchaser. The Vendor transferred 10% equity interest in the Target Company (i.e. the RC Sale Equity Interest) to Guangzhou Rongcheng at nil consideration in January 2019. In January 2019, Guangzhou Rongcheng advanced to the Target Company a shareholder's loan of RMB600 million which bears interest at 10% per annum. As at the Latest Practicable Date, such shareholder's loan and interest accrued thereon have been fully repaid with internal resources of the Group. As set out in the Company's announcement dated 19 June 2020, the Vendor and Guangzhou Rongcheng entered into an agreement pursuant to which the RC Sale Equity Interest will be transferred to the Vendor at nil consideration.

Pursuant to the second supplemental agreement to the 2014 Cooperation Agreement and the third supplemental agreement to the 2014 Cooperation Agreement as set out in the paragraph headed "Major agreements entered into in relation to the Project" below, Dongjin Company shall transfer the DJ Profit Sharing Right to the Company upon receipt of the DJ Service Fee by Dongjin Company and Science City (at the order of Dongjin Company) from the Project Company. As at the Latest Practicable Date, the DJ Service Fee has not been fully settled by the Project Company. Under the terms of the Co-Development Agreement, the Purchaser shall provide funding for the settlement of the remaining balance of the DJ Service Fee, which constitutes part of the Outstanding Development Costs, for and on behalf of the Project Company to Dongjin Company and Science City. Immediately after the completion of the RC Sale Equity Interest Acquisition and subject to the completion of the transfer of the DJ Profit Sharing Right from Dongjin Company to the Company, 100% of both the equity interest and the profit sharing right in the Target Company can be transferred to the Purchaser at Completion.

Sale Loan

The Sale Loan represents all such sum of money advanced by way of loan by the Vendor and/or the subsidiaries of the Company to the Target Company, the Project Company and Yuxiang Investment, and due and owing by the Target Company, the Project Company and Yuxiang Investment to the Vendor and/or the subsidiaries of the Company at Completion, which constitutes part of the development costs of the Project incurred that have been funded by the Company or the Group via the Target Company at Completion. As at 31 December 2019, the Sale Loan amounted to approximately RMB1,831 million (equivalent to approximately HK$2,033 million).

Consideration

Cash consideration

The consideration for the Sale Equity Interest is RMB1,500 million (equivalent to approximately HK$1,665 million) and the consideration for the Sale Loan shall be at the face value of the Sale Loan at Completion. The Total Consideration shall be settled in the following manner:

(a) within 5 Business Days from the date of the Co-Development Agreement, the Purchaser shall pay to the Vendor or any party as designated by the Vendor RMB1,405 million (equivalent to approximately HK$1,560 million) in tranches as deposit ("**Deposit**"); and

(b) at Completion, the Purchaser shall pay to the Vendor or any party as designated by the Vendor the remaining balance of the Total Consideration.

Assumption of liabilities by the Purchaser

In addition, pursuant to the Co-Development Agreement, the Purchaser shall assume the Outstanding Development Costs in favour of the Company at Completion.

Pursuant to the agreements in relation to the Project as set out in the paragraph headed "Major agreements entered into in relation to the Project" below, the Company shall be responsible for funding all the expenditure of the Project (i.e. it shall be responsible for funding all the development costs of the Project). Given that the consideration for the Sale Equity Interest was determined by reference to the Business Valuation (as defined below) on the basis that the total development costs of the Project ("**Total Development Costs**") would be assumed by the Project Company which will be owned by the Purchaser through the Target Company and the Project Company after Completion, it is agreed in the Co-Development Agreement that the Outstanding Development Costs (which are originally borne by the Company for funding and which constitute the development costs of the Project to be assumed by the Project Company as referred to in the Business Valuation), shall be assumed by the Purchaser at Completion, to the effect that after Completion, the Purchaser shall provide funding for the Outstanding Development Costs and the Company will not need to provide funding for the Outstanding Development Costs.

The relevant agreements in relation to the Project do not set out the exact amount of the development costs of the Project as the Company shall provide funding to cover all the development costs of the Project. The Company currently estimates that the Total Development Costs will be approximately RMB19,013 million (equivalent to approximately HK$21,108 million). As at 31 December 2019, the Project Company already incurred and paid development costs of approximately RMB3,471 million (equivalent to approximately HK$3,853 million) and approximately RMB43 million (equivalent to approximately HK$48 million) for the Reconstruction Area and the Attributable Financing Area, respectively, which were partially funded by the Company or the Group via the Target Company (as such borrowed amounts being reflected in the Sale Loan). Out of the total development costs of RMB3,514 million (equivalent to approximately HK$3,901 million) incurred and paid by the Project Company up to 31 December 2019, approximately RMB1,979 million (equivalent to approximately HK$2,197 million) and approximately RMB1,535 million (equivalent to approximately HK$1,704 million) were funded by the Group and the Project Company respectively.

Set out below are the details of the Outstanding Development Costs as at 31 December 2019:

Area	Estimated Total Development Costs	Total Development Costs incurred and paid up to 31 December 2019	Outstanding Development Costs as at 31 December 2019
Reconstruction Area	RMB11,461 million (equivalent to approximately HK$12,724 million)	RMB3,471 million (equivalent to approximately HK$3,853 million)	RMB7,990 million (equivalent to approximately HK$8,871 million)
Attributable Financing Area	RMB5,895 million (equivalent to approximately HK$6,545 million)	RMB43 million (equivalent to approximately HK$48 million)	RMB5,852 million (equivalent to approximately HK$6,497 million)
Non-Attributable Financing Area	RMB1,657 million (equivalent to approximately HK$1,839 million)	—	RMB1,657 million (equivalent to approximately HK$1,839 million)
Total:	**RMB19,013 million (equivalent to approximately HK$21,108 million)**	**RMB3,514 million (equivalent to approximately HK$3,901 million)**	**RMB15,499 million (equivalent to approximately HK$17,207 million)**

Set out below is the basis of the Total Development Costs of RMB19,013 million as currently estimated by the Group:

	Reconstruction Area *RMB million*	**Attributable Financing Area** *RMB million*	**Non-Attributable Financing Area** *RMB million*	*(Note 7)* **Total** *RMB million*
Land cost *(Note 1)*	6,401	431	121	6,953
Cost of preliminary works *(Note 2)*	192	202	57	451
Building and installation cost *(Note 3)*	4,084	4,772	1,342	10,198
Municipal and environmental engineering cost *(Note 4)*	364	374	105	843
Public ancillary facilities costs *(Note 5)*	372	69	19	460
Indirect development cost *(Note 6)*	48	47	13	108
	11,461	5,895	1,657	19,013

Notes:

1. *The land cost includes land premium and tax, land compensation fees, and municipal infrastructure facilities related fees.*

2. *The cost of preliminary works include investigation and testing fees, planning fee, design fee, water supply, electricity, roads and land levelling, construction application fee, and temporary facilities construction fees.*

3. *The building and installation cost includes various construction and installation fees for residential tower superstructure, supply and installation of residential tower equipment, residential decoration, commercial tower superstructure, external facades of the commercial towers, supply and installation of commercial tower equipment, and commercial decoration.*

4. *The municipal and environment engineering cost includes electricity supply engineering, drainage systems, roads, gas supply engineering, landscaping, intelligence systems engineering, outdoor lighting, and indoor and outdoor miscellaneous facilities.*

5. *The public ancillary facilities costs include construction costs of high school, kindergarten, and sports and amusement facilities.*

6. *The indirect development cost includes construction supervision fee and laboratory testing fees.*

7. *The estimated total development costs of approximately RMB19,013 million was calculated based on the budget prepared by the Group, with reference to the GFA of each respective area and construction cost data or index available to the Group.*

Basis of the consideration

The consideration for the Sale Loan was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the face value of the Sale Loan at Completion, while the consideration for the Sale Equity Interest was determined after arm's length negotiations between the Vendor and the Purchaser with reference to:

(i) the preliminary valuation of the Attributable Financing Area (i.e. such area of the Land which the Purchaser will be entitled to through the Target Company and the Project Company after Completion) of RMB14,700 million (equivalent to approximately HK$16,320 million) as at 29 February 2020 conducted by an independent professional valuer ("**Preliminary Land Valuation**") using the comparison method;

(ii) the preliminary valuation of the Target Company of RMB1,467 million (equivalent to approximately HK$1,629 million) (on the assumptions that (a) the Project Company is set up solely for accomplishment of the Project and the result from the Preliminary Land Valuation reflects the market value of the Project Company; and (b) 100% equity interest of the Project Company is owned by the Target Company, and on the basis that the Project Company shall bear all the development costs of the Project, having taken into account the Preliminary Land Valuation and the unaudited net liabilities of the Target Company as at 29 February 2020) conducted by an independent professional valuer ("**Preliminary Business Valuation**") using the asset approach; and

(iii) the unaudited net liabilities of the Target Company of approximately RMB115 million (equivalent to approximately HK$128 million) as at 29 February 2020.

The Preliminary Business Valuation of RMB1,467 million (equivalent to approximately HK$1,629 million) mentioned above is arrived at as follows:

	RMB (million)
Preliminary Land Valuation *(Note)*	14,700
Less: Estimated development costs of the Non-Attributable Financing Area	(1,657)
Estimated development costs of the Reconstruction Area	(11,461)
Net liabilities of the Target Company as at 29 February 2020	(115)
Preliminary Business Valuation	1,467

Note: The Preliminary Land Valuation has taken into account the development costs of the Attributable Financing Area and thus such development costs are not deducted in the Preliminary Business Valuation to avoid double deduction.

The valuation of the Attributable Financing Area as at 31 March 2020 is set out in Appendix IV to this circular while the valuation on the market value of the Target Company as at 29 February 2020 is set out in Appendix V to this circular.

Conditions Precedent

Completion shall be conditional upon the following:

(a) the completion of the RC Sale Equity Interest Acquisition;

(b) the Vendor and the Company having procured the parties to the Development Agreements to enter into a supplemental agreement to the effect that (i) the Target Company shall be the party designated by the Company and Dongjin Company in the Development Agreements; (ii) where the conditions to transfer (i.e. the completion of preliminary registration of properties developed under the Reconstruction Area) is fulfilled, the equity interest in the Project Company shall be transferred to the Target Company in tranches;

(c) the parties to the Co-Development Agreement shall enter into an agreement to the effect that the Target Company will appoint the Company to sign all the relocation and compensation agreements in relation to the Project on its behalf, and all the rights and obligations of the Company under such agreement shall belong to and be taken up by the Target Company;

(d) the procedures and activities undertaken under the Project by the Vendor Group and the Project Company not being in breach of any applicable laws, regulations and policies;

(e) all the approval, consent, registration in relation to the Project having been obtained and having remained in full force and effect and there being no material impediments or material adverse change to the performance of the Co-Development Agreement and transactions contemplated thereunder by the parties thereto;

(f) the arrangement for the Project undertaken by the Vendor Group and the Company remaining valid and there being no circumstance leading to impediments or material adverse impact;

(g) the Vendor Group having obtained all necessary acknowledgement, consents and approvals in relation to the Co-Development Agreement and the transactions contemplated thereunder, and such acknowledgement, consents and approvals having remained in full force and effect as at the date of Completion;

(h) the information, representations and undertakings given by the Purchaser being accurate, true and complete; and

(i) the information, representations and undertakings given by the Vendor Group being accurate, true and complete.

Except for condition (h) which can be waived by the Vendor Group and condition (i) which can be waived by the Purchaser, none of the above conditions set out above can be waived. If any of the conditions set out above is not fulfilled by the Long Stop Date, the Co-Development Agreement shall automatically lapse, and save that (1) the Vendor Group shall refund the Deposit (without interest) to the Purchaser; and (2) the parties shall be liable for any antecedent breach, no party to the Co-Development Agreement shall have any obligations towards the other parties to the Co-Development Agreement. As at the Latest Practical Date, condition (b) has been fulfilled.

Other major obligations of the parties under the Co-Development Agreement

Pursuant to the Co-Development Agreement,

(a) the Purchaser shall (i) bear all the construction costs (and related taxes) of the Reconstruction Area and the Financing Area; and (ii) be responsible for the construction of the Financing Area; and

(b) the Vendor Group shall be responsible for the construction of the Reconstruction Area, provided that the funding for the cost of construction of the Reconstruction Area and the Financing Area shall be provided by the Purchaser.

Although the Vendor Group is responsible for the construction of the Reconstruction Area, the construction of the Reconstruction Area will be undertaken by the contractors engaged by the Project Company and the funding for the construction of the Reconstruction Area will be provided by the Purchaser. In addition, the responsibilities of the Vendor Group in relation to the construction of the Reconstruction Area under the Co-Development Agreement are mainly co-ordination and supervision work, namely, (i) selecting and supervising the construction contractors engaged by the Project Company to carry out the construction work of the Reconstruction Area; (ii) assisting the Project Company in organising and carrying out the allocation, title confirmation, inspection and delivery of properties developed under the Reconstruction Area; (iii) co-ordinating with Huocun Econ Organisation, Dongjin Company and the government authorities involved to ensure smooth construction of the Project. In addition, it is also agreed in the Co-Development Agreement that the Vendor Group shall complete the remaining demolition work on the Land, which is in progress as at the date of the Co-Development Agreement. Given that the completion of the demolition work on the Land will affect the progress of the development of the Project, it is considered to be in the interests of the parties to the Co-Development Agreement that the Vendor Group shall complete such work to ensure smooth and efficient completion.

Taking into account that pursuant to the 2018 Agreement For Setup Of Project Company as set out in the paragraph headed "Major agreements entered into in relation to the Project" below, the Project Company will be transferred to Dongjin Company, the Company or company(ies) owned by them at nil consideration when the land under the Project meets the condition for the transfer of equity interest in the Project Company (i.e. the completion of preliminary registration of properties developed under the Reconstruction Area), the completion of the construction of the Reconstruction Area is critical to the interest of the Purchaser (through the Project Company) after Completion, and thus the Purchaser requires the Vendor Group to be responsible for the construction of the Reconstruction Area to the effect that the Vendor Group shall ensure smooth completion of the construction of the Reconstruction Area, which is a condition to the completion of the preliminary registration of properties developed under the Reconstruction Area (i.e. a condition to the transfer of the equity interest in the Project Company, which will affect the interest of the Purchaser after Completion), the Directors consider that it is fair and reasonable for the Vendor Group to be responsible for the construction of the Reconstruction Area provided that the funding for the costs of construction of the Reconstruction Area shall be provided by the Purchaser.

Termination of the Co-Development Agreement

Pursuant to the Co-Development Agreement, the party not in default may elect to terminate the Co-Development Agreement if:

(a) the other party to the Co-Development Agreement fails to comply with the terms of the Co-Development Agreement; and

(b) any information or representation made by the other party to the Co-Development Agreement being inaccurate, false or incomplete.

If the party in default to the Co-Development Agreement fails to rectify the non-compliance with the terms of the Co-Development Agreement within 15 days ("**Grace Period**") from the date on which the non-defaulting party to the Co-Development Agreement issues a notice in relation to the non-compliance to the party in default, the non-defaulting may (i) demand the party in default to pay default interest at the rate of 0.05% per day on the amount payable by such party (i.e. being the amount of the Deposit or the balance of the Total Consideration payable to the Vendor) with effect from the expiry of the Grace Period; and (ii) elect to terminate the Co-Development Agreement 45 days after the expiry of the Grace Period. In the event that the party in default is the Vendor, after the expiry of the Grace Period, the Purchaser may also demand the Vendor to pay interest of 18% per annum on the Deposit amount with effect from the payment date of the Deposit. It is further provided in the Co-Development Agreement that if any party elects to terminate the Co-Development, the Sale Equity Interest shall then be returned to the Vendor Group at the consideration of RMB1,500 million and the Sale Loan shall be returned to the Vendor Group at the then face value of the Sale Loan.

As the consideration for the Sale Equity Interest was determined (i) on the basis that after Completion, the Project Company will be owned by the Target Company and the Purchaser would, through the Target Company and the Project Company, be entitled to the Attributable Financing Area after the completion of preliminary registration of properties developed under the Reconstruction Area; and (ii) by reference to the value of the Project Company as mentioned in the paragraph headed "Basis of the consideration" above, it is a term of the Co-Development Agreement that the Vendor Group shall ensure that the Project Company shall be transferred to the Target Company after Completion and within six months after completion of the preliminary registration of all the properties developed under the Reconstruction Area required to be delivered to the original residents of the Land and Huocun Econ Organisation, and if the Project Company is not transferred to the Target Company pursuant to the Co-Development Agreement as mentioned above, the Purchaser may exercise its rights against the Vendor Group in accordance with the provision above.

Completion

Completion shall take place within six months after all the Conditions Precedent have been fulfilled or waived. After all the Conditions Precedent have been fulfilled or waived, the Vendor and the Purchaser shall commence the transfer of the Sale Equity Interest and complete the change in industrial and commercial registration in respect of such transfer, including signing all necessary documents required by the change in industrial and commercial registration in respect of such transfer.

Immediately after Completion, the Company will cease to have any interest in the Target Company.

INFORMATION ABOUT THE TARGET COMPANY AND THE PROJECT

Target Company

The Target Company is a co-operative joint venture established in the PRC and is principally engaged in the provision of business services (商務服務業). As at the Latest Practicable Date, the equity interest in the Target Company was owned as to 90% by the Vendor and 10% by Guangzhou Rongcheng, while the profit sharing right in the Target Company was owned as to 73.8% by the Vendor, 18% by Dongjin Company and 8.2% by Guangzhou Rongcheng. Subject to the completion of the RC Sale Equity Interest Acquisition and the transfer of the DJ Profit Sharing Right from Dongjin Company to the Company as mentioned in the paragraph headed "Assets to be disposed of" above, 100% of the equity interest and the profit sharing right in the Target Company can be transferred to the Purchaser at Completion.

As at the Latest Practicable Date, the registered capital of the Target Company was RMB20 million, which shall be paid up as to RMB18 million by the Vendor and RMB2 million by Guangzhou Rongcheng by 15 August 2023 and none of such registered capital has yet been paid up. After completion of the RC Sale Equity Interest Acquisition, the Vendor shall be responsible for paying up the entire registered capital of the Target Company of RMB20 million by 15 August 2023.

Project Company

As at the Latest Practicable Date, the Project Company was wholly owned by Yuxiang Investment, which is owned by 15 Economic Organisations, the reorganisation of which was conducted by Huocun Econ Organisation. As at the Latest Practicable Date, the Target Company did not hold any equity interest in the Project Company. However, pursuant to the agreements entered into between Huocun Econ Organisation and the Company set out in the paragraph headed "Major agreements entered into in relation to the Project" below and the supplemental agreement to be entered into between the parties involved as referred to in condition (2) under the paragraph headed "Conditions Precedent" above, it is agreed that subject to the completion of the preliminary registration of the properties developed under the Reconstruction Area, the equity interest in the Project Company shall be transferred to the Target Company in tranches. It is also a term of the Co-Development Agreement that the Project Company shall be wholly owned by the Target Company after Completion and within six months after completion of the preliminary registration of all the properties developed under the Reconstruction Area required to be delivered to the original residents of the Land and Huocun Econ Organisation.

Major agreements entered into in relation to the Project

In January 2011, Huocun Econ Organisation and the parent company of Dongjin Company entered into a cooperation agreement ("**2011 Cooperation Agreement**") pursuant to which they agreed to cooperate to undertake the Project, to the extent that Huocun Econ Organisation will provide the land for development while the parent company of Dongjin Company will provide the funding of the Project.

In September 2014, Dongjin Company and Huocun Econ Organisation entered into a supplemental agreement to the 2011 Cooperation Agreement, pursuant to which, among others, (1) Dongjin Company would take up the rights and obligations of its parent company under the 2011 Cooperation Agreement; (2) Dongjin Company shall be responsible for bringing about a strategic partner of the Project, who shall be responsible for the funding of the Project; (3) Huocun Econ Organisation shall provide the land for the development of the Project at the agreed price; and (4) Huocun Econ Organisation shall obtain consent of more than 90% of the original residents on the land of the Project for the re-development of the land and procure them to enter into related compensation agreements.

In September 2014, Dongjin Company and the Company entered into a framework agreement ("**2014 Framework Agreement**"), pursuant to which, (1) the Company and Dongjin Company shall set up a joint venture, while the profit of the joint venture is expected to be shared as to 82% by the Company and 18% by Dongjin Company; and (2) Dongjin Company will elect not to contribute its portion of the equity in the joint venture and the Company will be responsible to provide the funding for the operation of the joint venture.

With reference to the 2014 Framework Agreement, in November 2014, Dongjin Company and the Company entered into a project renewal co-operation agreement ("**2014 Cooperation Agreement**") pursuant to which, among others, (1) the Company and Dongjin Company shall set up a company (which subsequently turned out to be the Target Company), and the Company shall contribute all the registered capital of such company while such company shall be owned as to 18% by Dongjin Company and 82% by the Company; and (2) Dongjin Company shall be entitled to pre-redevelopment fees and service fees of RMB120 million and 18% of the net profit of the Project; and (3) Dongjin Company shall provide services in relation to the Project, including obtaining approval on the urban renewal proposal and land use right of the Financing Area and provision of demolition and relocation management and coordination.

In September 2015, Dongjin Company, the Company and Huocun Econ Organisation entered into an agreement dated 14 September 2015, pursuant to which the parties thereto agreed that, among other things, the Company will be the sole strategic partner of Dongjin Company in relation to the Project and the Company shall be responsible for funding all the expenditure of the Project.

In April 2018, Dongjin Company, the Company and Huocun Econ Organisation entered into the Project Company co-operation agreement ("**2018 Agreement For Setup Of Project Company**") dated 18 April 2018, pursuant to which it was agreed, among other things, that (1) 15 Economic Organisations would set up Yuxiang Investment, which will be the 100% holding company of the Project Company, and Yuxiang Investment will in turn set up the Project Company to hold the Financing Area and the Company shall be responsible for funding in respect of all the operating costs of the Project Company; (2) the Financing Area will be transferred to the Project Company, while the Company shall be responsible for funding the transfer costs to be incurred by the Project Company; (3) the Project Company may raise funds by pledging the Financing Area for funding the development costs of the Reconstruction Area and the Financing Area; (4) when the land under the Project meets the condition for the transfer of equity interest in the Project Company (i.e. the completion of preliminary registration of properties developed under the Reconstruction Area), Huocun Econ Organisation shall arrange for the equity interest in the Project Company to be transferred to Dongjin Company, the Company or company(ies) owned by them at nil consideration; and (5) if Dongjin Company and the Company finally cannot obtain the equity interest in the Project Company, Huocun Econ Organisation shall arrange for the Company to be compensated for the capital injected and the related capital utilisation fee ("**Capital Utilisation Fee**") (at the rate of 24% per annum). As a result, pursuant to this agreement, after completion of the development of the Project, the Group, through the Project Company, will be entitled to the Financing Area (other than those areas required to be transferred to the original residents of the Land, Huocun Econ Organisation and Dongjin Company). As a result of this agreement, if the Company fails to finally obtain the equity interest in the Project Company through the Target Company, Huocun Econ Organisation shall arrange for the Company to be compensated for the capital injected into the Project and the Capital Utilisation Fee in accordance with the 2018 Agreement For Setup Of Project Company.

In August 2018, Dongjin Company and the Company entered into the supplemental agreement to the 2014 Cooperation Agreement ("**First Supplemental Cooperation Agreement**"), pursuant to which, among others, (i) Dongjin Company and the Vendor (a subsidiary of the Company) shall set up the Target Company, which shall subsequently obtain 100% equity interest in the Project Company and interest in the Financing Area; and (ii) 60,000 sq.m. of properties under the Project will be transferred to Dongjin Company at a reasonable cost for Dongjin Company to realise its interest in the Target Company. Pursuant to the property sales agreement entered into between Dongjin Company, the Company and the Project Company on 24 December 2018, the properties of 60,000 sq.m. (excluding public facilities) of the Non-Attributable Financing Area will be sold by the Project Company to Science City (the holding company of Dongjin Company) at the agreed cost of RMB12,000 per sq.m..

In December 2018 and November 2019, Dongjin Company, the Company, the Target Company, the Project Company and Science City entered into the second supplemental agreement to the 2014 Cooperation Agreement and the third supplemental agreement to the 2014 Cooperation Agreement respectively, pursuant to which, among others, Dongjin Company shall transfer the DJ Profit Sharing Right to the Company upon receipt of the DJ Service Fee by Dongjin Company and Science City (at the order of Dongjin Company) from the Project Company.

After Completion, the only outstanding obligation of the Company under the Development Agreements (which include the agreements set out above in this paragraph headed "Major agreements entered into in relation to the Project") shall be the obligation to provide funding for all the operating costs of the Project Company (i.e. the Outstanding Development Costs). Given that the Purchaser has undertaken with the Company under the Co-Development Agreement that it shall assume the Outstanding Development Costs in favour of the Company at Completion, the Purchaser will perform the Company's outstanding obligation under the Development Agreements for the Company after Completion. Pursuant to the Co-Development Agreement, if the Purchaser fails to perform this obligation after Completion, the Vendor shall be entitled to request the Purchaser to return the Sale Equity Interest at the consideration of RMB1,500 million and the Sale Loan at the then face value of the Sale Loan and indemnify the Vendor Group for all damages. In addition, pursuant to the Co-Development Agreement, the Purchaser shall procure the properties developed on the Financing Area of 38,179 sq.m. to be transferred to the Group at nil consideration after completion of the development of the Project.

The Project

The Project is an urban renewal project of the Land. As at the Latest Practical Date, the Project is undertaken in the name of the Project Company. The Project is divided into two areas, namely, the Reconstruction Area and the Financing Area.

It is intended that the demolition work on the Land will be completed by December 2020, while certain development has actually already commenced but will not be completed until 2023 as envisaged according to the following indicative timetables:

Reconstruction Area — development timetable

	Reconstruction Area phase 1A	Reconstruction Area phase 1B	Reconstruction Area phase 2	Reconstruction Area phase 3	Reconstruction Area phase 4	Reconstruction Area phase 5
Commencement of construction	commenced	commenced	commenced	commenced	commenced	commenced
Roof-sealing	July 2020	February 2021	June 2021	October 2020	August 2021	December 2020
Completion of construction	October 2021	June 2022	September 2022	June 2021	November 2022	January 2022
Filing for completion	April 2022	October 2022	December 2022	September 2021	February 2023	April 2022
Delivery	May 2022	November 2022	January 2023	October 2021	April 2023	May 2022
Certificate of title obtained	September 2022	April 2023	May 2023	January 2022	July 2023	September 2022

The Reconstruction Area will be developed in five phases. As the development in the Reconstruction Area covers solely the construction of the residential properties, common facilities, commercial properties and offices which will be transferred to the original residents of the Land and Huocun Econ Organisation as compensation at nil consideration, no revenue is expected to be generated from the delivery of the Reconstruction Area.

Financing Area — development timetable

	Financing Area phase 1	Financing Area phase 2	Financing Area phase 3	Financing Area phase 4	Financing Area phase 5	Financing Area phase 6
Commencement of construction	commenced	commenced	commenced	commenced	commenced	commenced
Commencement of pre-sale	commenced	November 2020	January 2021	January 2021	January 2021	January 2021
Roof-sealing	September 2020	January 2021	May 2021	May 2021	May 2021	May 2021
Completion of construction	June 2022	June 2022	August 2022	August 2022	August 2022	August 2022
Filing for completion	September 2022	September 2022	October 2022	October 2022	October 2022	October 2022
Delivery	October 2022	October 2022	November 2022	November 2022	November 2022	November 2022
Certificate of title obtained	February 2023	February 2023	April 2023	April 2023	April 2023	April 2023

The Financing Area will be developed in six phases. The development in the Financing Area covers the construction of the residential properties, commercial properties and offices, Educational Institutions, Public Service Area, public facilities and properties for old village relocation.

The properties developed on the Reconstruction Area will be transferred to the original residents of the Land and Huocun Econ Organisation while the properties developed on the Financing Area will be held by the Project Company, retained by the Group or transferred to the original residents of the Land and Huocun Econ Organisation and Dongjin Company as set out below:

		Financing Area			
		Attributable Financing Area	**Non-Attributable Financing Area**		
	Reconstruction Area	**The Project Company**	**The Group**	**Original residents of the Land**	**Dongjin Company**
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
Residential properties	764,300	760,420	23,579	75,528	5,000
Common facilities	84,020	—	—	—	—
Commercial properties and offices	26,460	—	12,006	28,837	55,000
Educational Institutions	—	41,804	—	—	—
Public Service Area	—	20,000	—	—	—
Public facilities	—	21,971	2,594	8,300	600
Old village relocation	—	—	—	25,917	—
Total	874,780	844,195	38,179	138,582	60,600

Notes:

1. *Pursuant to the respective compensation agreements ("**Compensation Agreements**") entered into between, among other parties, each of the original residents of the Land and the Company, these properties will be transferred to the original residents of the Land as compensation at nil consideration. Certain properties such as public service area and public facilities will be transferred to Huocun Econ Organisation.*

2. *These properties will belong to the Project Company. Before entering into in the Co-Development Agreement, the Project Company will be transferred to the Target Company (which is a subsidiary of the Company) after completion of development of the Project (including the completion of the preliminary registration of the properties developed under the Reconstruction Area). Pursuant to the Co-Development Agreement, the Purchaser will, through the Target Company, wholly own the Project Company, after Completion. Therefore, after Completion, the Purchaser will be entitled to these properties through its 100% indirect interest in the Project Company after completion of the development of the Project (including the completion of the preliminary registration of the properties developed under the Reconstruction Area).*

3. *These properties have been reserved internally for the Group. The Group may either hold such properties for investment properties held for long-term investment purpose or sell them to the Group's customers who may be interested in such properties, and the Group may generate revenue from such properties accordingly. It is agreed by the parties to the Co-Development Agreement that (i) these properties will be retained by the Group for delivery after completion of the development of the Project (including the completion of the preliminary registration of the properties developed under the Reconstruction Area); and (ii) the Purchaser shall procure the Project Company to transfer such properties to the Group at nil consideration.*

4. *Given that the original residents of the Land are entitled to be compensated an aggregate of 1,013,302 sq.m. of properties upon completion of the Project under the Compensation Agreements while only 874,780 sq.m. of properties would be developed in the Reconstruction Area, pursuant to the Compensation Agreements, properties of 138,582 sq.m. of the Non-Attributable Financing Area will be transferred to the original residents of the Land as compensation at nil consideration to make up the shortfall and some of such properties such as public facilities will be transferred to Huocun Econ Organisation.*

5. *Pursuant to the First Supplemental Cooperation Agreement and the property sales agreement entered into between Dongjin Company, the Company and the Project Company on 24 December 2018, properties of 60,000 sq.m. (excluding public facilities) of the Non-Attributable Financing Area will be sold to Science City (the holding company of Dongjin Company) at the agreed cost of RMB12,000 per sq.m..*

Set out below is certain unaudited financial information of the Target Company for the period from 16 August 2018 (date of incorporation) to 31 December 2018, for the year ended 31 December 2019 and for the period from 1 January 2020 to 31 March 2020:

	For the period ended 31 March 2020 *approximately RMB'000* (unaudited)	**Year ended 31 December 2019** *approximately RMB'000* (unaudited) *(Note 1)*	**Period ended 31 December 2018** *approximately RMB'000* (unaudited) *(Note 2)*
Net loss before taxation	15,003 (equivalent to approximately HK$16,656,000)	94,418 (equivalent to approximately HK$107,342,000)	11,225 (equivalent to approximately HK$13,283,000)
Net loss after taxation	15,003 (equivalent to approximately HK$16,656,000)	94,418 (equivalent to approximately HK$107,342,000)	11,225 (equivalent to approximately HK$13,283,000)

Notes:

1. *The amounts of net loss before taxation and net loss after taxation quoted in RMB have been converted into HK$ using the average exchange rate for the year ended 31 December 2019.*

2. *The amounts of net loss before taxation and net loss after taxation quoted in RMB have been converted into HK$ using the average exchange rate for the period ended 31 December 2018.*

As at 31 March 2020, (i) the unaudited total assets of the Target Company amounted to approximately RMB3,142.5 million (equivalent to approximately HK$3,488.8 million); (ii) the unaudited total liabilities of the Target Company (including the Sale Loan) amounted to approximately RMB3,263.2 million (equivalent to approximately HK$3,622.8 million); and (iii) the unaudited net liabilities of the Target Company amounted to approximately RMB121 million (equivalent to approximately HK$134 million).

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in property development, property investment, project management and other property development related services in the PRC.

The Group expects to recognise an unaudited gain from the Disposal of approximately RMB1,763 million (equivalent to approximately HK$1,957 million) which is calculated as follows:

	RMB (million)
Total Consideration	3,331
Less: Outstanding Capital Utilisation Fee at Completion *(Note 1)*	(303)
Add: Net liabilities of the Target Company as recorded in the Group's accounts at Completion *(Note 2)*	121
Less: Face value of the Sale Loan at Completion *(Note 3)*	(1,831)
Add: Fair value of the properties to be developed on the Non-Attributable Financing Area entitled by the Group *(Note 4)*	665
Less: Estimated expenses (such as accounting, legal and other professional fees)	(4)
Gain on Disposal before taxation	1,979
Less: Taxation	(216)
Gain from Disposal	1,763

Notes:

1. *The Outstanding Capital Utilisation Fee was determined by reference to the outstanding balance of the Sale Loan for the period from the respective date of the money advanced to 31 December 2019 and at the rate of 24% per annum.*

2. *The unaudited net liabilities of the Target Company as at 31 March 2020 in the amount of approximately RMB121 million (equivalent to approximately HK$134 million) is used in the calculation.*

3. *The face value of the Sale Loan as at 31 December 2019 in the amount of approximately RMB1,831 million (equivalent to approximately HK$2,033 million) is used in the calculation.*

4. *The amount represents the fair value of properties with a total GFA of approximately 38,179 sq.m. to be developed on the Non-Attributable Financing Area, which have been reserved internally for the Group as at 31 March 2020. The Group may either hold such properties for investment properties held for long-term investment purpose or sell them to the Group's customers who may be interested in such properties, and the Group may generate revenue from such properties accordingly. It is agreed by the parties to the Co-Development Agreement that (i) these properties will be retained by the Group for delivery after completion of the development of the Project (including the completion of the preliminary registration of the properties developed under the Reconstruction Area); and (ii) the Purchaser shall procure the Project Company to transfer such properties to the Group at nil consideration.*

5. *The acquisition of 10% equity interest of the Target Company from Guangzhou Rongcheng by the Group has been considered but it was not shown in the above table as it does not affect the gain from the Disposal.*

The actual amount of gain or loss as a result of the Disposal to be recorded by the Group is subject to the review and the final audit to be performed by the Company's auditors.

The Directors expect that the net proceeds from the Disposal, after deducting the expenses directly attributable thereto, will be approximately RMB3,111 million (equivalent to approximately HK$3,454 million), which will be used (i) as to RMB1,000 million (equivalent to approximately HK$1,110 million) for repayment of the bank and other borrowings of the Group; and (ii) as to RMB2,111 million (equivalent to approximately HK$2,344 million) for funding of other property development projects of the Group. Taking into account of (a) the current operating conditions of the Group in the PRC as a result of the trade disputes between China and the United States and the outbreak of the Coronavirus Disease 2019 ("**COVID-19**") which have imposed uncertainties to the economy in the near future; and (b) the Disposal being able to release the Group from funding the Outstanding Development Costs while the Group would still be able to realise a gain from the Project as a result of the Disposal as mentioned above, the Directors consider that the Disposal allows the Group to realise its investment in the Project at the appropriate time. In addition, the Directors are of the view that it is fair and reasonable for the Sale Loan to be assigned to the Purchaser at the face value of the Sale Loan at Completion.

The Directors are of the view that the terms of the Co-Development Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under the Listing Rules and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The SGM will be held for the purposes of, among other matters, considering and, if thought fit, approving the Co-Development Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Co-Development Agreement and the transactions contemplated thereunder and no Shareholder will be required to abstain from voting at the SGM in respect of the resolution relating to the Co-Development Agreement and the transactions contemplated thereunder.

SGM

A notice convening the SGM to be held at Meeting Room No. 1, 19/F., Zhuguang Xincheng International Centre, Block B, No. 3 Qingyi Street, Race Course Road, Tianhe District, Guangzhou, the PRC on Friday, 17 July 2020 at 2:15 p.m., is set out on pages SGM-1 to SGM-3 of this circular. Shareholders of the Company are advised to read the notice and complete and return the form of proxy for use at the SGM enclosed with this circular in accordance with the instructions printed thereon.

A form of proxy for the SGM is enclosed with this circular and such form of proxy is also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.zhuguang.com.hk). To be valid, the enclosed form of proxy must be completed and signed in accordance with the instructions printed thereon and returned to the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 2:15 p.m. on Wednesday, 15 July 2020 or in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll and the Company will then announce the results of the poll in the manner as prescribed under Rule 13.39(5) of the Listing Rules.

The record date for determining the entitlement of the Shareholders to attend and vote at the SGM will be Monday, 13 July 2020. In order to qualify for the entitlement to attend and vote at the SGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Monday, 13 July 2020.

RECOMMENDATION

The Directors consider that the terms of the Co-Development Agreement and the transactions contemplated thereunder, are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

On behalf of the Board
Zhuguang Holdings Group Company Limited
Chu Hing Tsung
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the years ended 31 December 2017 ("**FY2017**"), 31 December 2018 ("**FY2018**") and 31 December 2019 ("**FY2019**"), including the notes thereto, have been published in the annual reports of the Company for FY2017 ("**Annual Report 2017**") (pages 72 to 167), FY2018 ("**Annual Report 2018**") (pages 111 to 218) and FY2019 ("**Annual Report 2019**") (pages 121 to 223), which are incorporated by reference into this circular. The said annual reports of the Company are available on the Company's website at http://www.zhuguang.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 April 2020, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had the following outstanding indebtedness:

Secured bank loans

As at 30 April 2020, the Group had outstanding secured bank loans of approximately HK$4,558,375,000, which were secured by the following: (i) the Group's investment properties; (ii) the Group's properties under development; (iii) the Group's completed properties held for sale; (iv) the Group's term deposits; and (v) the entire equity interest of the Company's subsidiaries, namely, 廣州珠光城市更新集團有限公司 (Guangzhou Zhuguang Urban Renewal Group Company Limited*) ("**Urban Renewal Group**"), 香河縣逸景房地產開發有限公司 (Xianghe County Yijing Property Development Company Limited*) ("**Xianghe Yijing**") and 梅州御景房地產有限公司 (Meizhou Yujing Property Company Limited*) ("**Meizhou Yujing**").

Unsecured and guaranteed bank loans

As at 30 April 2020, the Group had an outstanding unsecured and guaranteed bank loan of approximately HK$472,239,000, which was guaranteed by (i) the corporate guarantees executed by the Company, Guangdong Zhuguang Group Company Limited* (廣東珠光集團有限公司) ("**Guangdong Zhuguang Group**") and one of the subsidiaries of Guangdong Zhuguang Group; and (ii) the personal guarantees executed by the executive Director, Mr. Chu Hing Tsung.

** For identification purpose only*

2019 senior secured guaranteed notes

As at 30 April 2020, the Group had outstanding senior secured guaranteed notes issued in 2019 of approximately US$410,000,000 (equivalent to approximately HK$3,198,000,000), secured and guaranteed by (i) 3,361,112,000 Shares owned by Rong De; (ii) the 100% equity interest of the Company's subsidiaries, namely, Ai De Investments Limited (靄德投資有限公司) ("**Ai De**"), All Flourish Investments Limited (通興投資有限公司) ("**All Flourish**"), Capital Fame Investments Limited (嘉鋒投資有限公司) ("**Capital Fame**"), Cheng Chang Holdings Limited (誠昌控股有限公司) ("**Cheng Chang**"), East Orient Investment Limited (達東投資有限公司) ("**East Orient**"), Ever Crown Corporation Limited (冠恒興業有限公司) ("**Ever Crown**"), Fresh International Limited (豐順國際有限公司) ("**Fresh International**"), Fully Wise Investment Limited (惠豐投資有限公司) ("**Fully Wise**"), Pacific Win Investments Limited (保鋒投資有限公司) ("**Pacific Win**"), Polyhero International Limited (寶豪國際有限公司) ("**Polyhero International**"), Profaith International Holdings Limited (盈信國際控股有限公司) ("**Profaith International**"), Talent Wide Holdings Limited (智博控股有限公司) ("**Talent Wide**"), Top Asset Development Limited (通利發展有限公司) ("**Top Asset**"), Top Perfect Development Limited (泰恒發展有限公司) ("**Top Perfect**"), Vanco Investment Limited (雅豪投資有限公司) ("**Vanco Investment**") and World Sharp Investments Limited (華聲投資有限公司) ("**World Sharp**"); (iii) the corporate guarantees executed by Rong De, Zhuguang Group Limited (珠光集團有限公司) ("**Zhuguang Group**"), South Trend Holdings Limited (南興控股有限公司) ("**South Trend**"), Ai De, All Flourish, Capital Fame, Cheng Chang, East Orient, Ever Crown, Fresh International, Fully Wise, Pacific Win, Polyhero International, Profaith International, Talent Wide, Top Asset, Top Perfect, Vanco Investment and World Sharp; and (iv) the personal guarantees executed by the executive Directors, namely, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi.

Other borrowings — secured

As at 30 April 2020, the Group had outstanding secured and guaranteed other borrowings of approximately HK$9,120,507,000, which were secured and guaranteed by (i) the Group's properties for sale under development and completed properties held for sale; (ii) the Group's assets under construction under property and equipment and land use rights classified under intangible assets; (iii) the Group's investment properties; (iv) the entire equity interest of the Company's subsidiaries, namely, 廣州市潤啟房地產有限公司 (Guangzhou City Runqi Property Company Limited*) ("**Runqi Property**"), 廣東海聯大廈有限公司 (Guangdong Hailian Building Company Limited*) ("**Guangdong Hailian**"), 廣州東港合眾房地產有限公司 (Guangzhou Dong Gang He Zhong Property Company Limited*) ("**Dong Gang**") and 廣州珠光實業集團有限公司 (Guangzhou Zhuguang Industrial Group Company Limited*) ("**Zhuguang Industrial**"); (v) certain equity interest of the Target Company; (vi) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; (vii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi; (viii) 425,000,000 Shares owned by Rong De; and (ix) 681,240,000 shares in Silver Grant owned by the Company.

* *For identification purpose only*

Other borrowings — unsecured and guaranteed

As at 30 April 2020, the Group had outstanding unsecured and guaranteed other borrowings of approximately HK$225,000,000, which were guaranteed by the personal guarantee executed by the executive Director, Mr. Chu Hing Tsung.

Lease liability

As at 30 April 2020, the Group had outstanding lease liability amounting to approximately HK$18,176,000.

Perpetual capital securities

As at 30 April 2020, the Group had outstanding perpetual capital securities with aggregate principal of HK$800,000,000.

Amount due to the ultimate holding company

As at 30 April 2020, the Group had outstanding amount due to its ultimate holding company amounting to approximately HK$351,550,000.

Contingent liabilities

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with mortgage loans entered into by the purchasers of the Group's properties. As at 30 April 2020, the outstanding mortgage loan balances utilised by the purchasers amounted to approximately RMB3,167,951,000 (equivalent to approximately HK$3,479,139,000). Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon the earlier of (i) the issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgage loan by the purchasers of the properties.

Save as aforesaid or as otherwise disclosed herein, and apart from the intra-group liabilities and the normal trade and other payables in its ordinary course of business, the Group did not have any other loan capital issued or agreed to be issued, or any outstanding bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding as at the close of business on 30 April 2020.

For the purpose of the statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 30 April 2020 (except for amounts in US dollars, which have been translated into Hong Kong dollars using the rate of US$1 equivalent to HK$7.80).

3. WORKING CAPITAL STATEMENT

The Directors, after due and careful consideration and taking into account of the financial resources presently available to the Group and the net proceeds from the Disposal, are of the opinion that the Group will have sufficient working capital for its requirements for at least twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As the Latest Practicable Date, save as disclosed in the annual results announcement for FY2019 dated 8 May 2020, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up).

5. FINANCIAL AND TRADING PROSPECTS

Business Review

During the Central Economic Work Conference of the PRC held in late 2019, the central government stressed that its aim was to ensure the "steady and healthy development" of the property market. In addition, it further reiterated the principle that "housing is for living in, not for speculation". During this Central Economic Work Conference, it was also mentioned that more work needs to be done to ensure the stable supply of homes for the low-income urban population, to strengthen urban renewal and enhancement of the existing residential projects, to regenerate old urban communities, and to increase rental housing. All these dovetail with the vision of Urban Renewal Group, a wholly-owned subsidiary of the Company.

FY2019 saw the implementation of some of the Group's significant reforms. Guided by the reform philosophy and direction provided by the Board, the Company continued to operate two working groups, namely (1) the urban renewal group; and (2) the real estate group, striving to maximise their respective strengths and advantages with a view to achieving "dual-driven" business development for the Group.

As a provider of primary land consolidation services, the Company's urban renewal group should take full advantage of its unique reputation as an "urban renewal expert" and live up to it, carrying out each urban renewal project in a professional and satisfactory manner in order to maintain the Group's most important land supply in the next three years. This is also the characteristic and advantage of the Group's future development. In FY2019, the Project, one of the Group's urban renewal projects, has achieved remarkable progress. The overall planning of the Project has been completed and the relevant land use right certificates have been obtained. On 22 April 2020, the Vendor (a wholly-owned subsidiary of the Company), the Company, Skyleap (a wholly-owned subsidiary of the Company), the Target Company (a non-wholly-owned subsidiary of the Company) and the Purchaser entered into the Co-Development

Agreement. The Group believes that through proactive introduction of outstanding strategic investors and cooperation partners such as those introduced under the Project, it will be able to carry out development of its major projects and reorganisation of its resources to facilitate continuous breakthrough for its projects and its sustainable corporate development.

Meanwhile, the Company's real estate group, as a provider of secondary land development services, should work in an artisanal manner, focusing on the enhancement of product quality and paying attention to the smallest details in order to construct high value-added premier properties with their own characters, which provide high profit margin to the Group and good investment value to the purchasers.

Land Acquisitions

The Group's efforts in maintaining a sufficient land bank and designing accurate urban layout have laid a solid foundation for its future developments. During FY2019, South Trend, a wholly-owned subsidiary of the Company, a vendor and a guarantor entered into an agreement ("**SP Agreement**") in relation to the acquisition ("**All Flourish Acquisition**") of 100% of the issued share capital of All Flourish which indirectly holds 51% interests in 廣州發展汽車城有限公司 (Guangzhou Development Automobile City Co., Ltd.*) ("**Guangzhou Project Company**"). The Guangzhou Project Company holds interests in a property development project ("**AEC Project**") known as "Zhuguang Financial Town One* (珠光金融城壹號)", which is a three-old transformation project* (三舊改造項目) (i.e. an urban renewal project involving transformation of the old town, old factories and old villages) located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC. The All Flourish Acquisition was completed in March 2020, upon which All Flourish has become an indirect wholly-owned subsidiary of the Company, and the financial results of the Guangzhou Project Company have not been consolidated into those of the Group under the applicable accounting standards but have been equity accounted for as a joint venture. After completion of the All Flourish Acquisition, the Company will be able to obtain first-hand information on the AEC Project and make further assessment on the prospects of the Guangzhou Project Company. The Group will consider to acquire additional equity interest in the Guangzhou Project Company in order to take further control of the AEC Project in the future.

With its successful experience in relation to three-old transformation projects in the past and its broad business footprint in Guangzhou, the Group has continuously maintained its reputation as an "urban renewal expert (城市更新專家)" in the industry. As at 31 December 2019, the Group had land bank of approximately 29,239 sq.m. including its existing projects under development, which would be sufficient to support the needs of the Group over the next three years. During FY2019, the Group's contracted sales were contributed by the Group's projects in the first-tier cities and second-tier cities in the PRC. Such a diverse market mix has demonstrated the Group's ability to adapt itself to the different market segments and to effectively cater for the market volatility brought by the challenging economy and the government control policies to the real estate market in the PRC. Meanwhile, the Group will adopt prudent and proactive strategies to increase its quality land reserves as appropriate by acquiring quality land when the opportunities arise.

** For identification purpose only*

Financing Costs and Channels

As at 31 December 2019, the gearing ratio of the Group was 65% (31 December 2018: 64%). The increase in the gearing ratio was mainly due to the Company's issue of the senior secured guaranteed notes in 2019 ("**2019 Senior Notes**") for the refinancing of the senior secured guaranteed notes issued by the Company in 2016 ("**2016 Senior Notes**") and the new bank and other borrowings incurred by the Group, and the increase in the prepayment of deposits for potential acquisitions which decreased the cash on hand. As at 31 December 2019, the bank balances and cash of the Group amounted to approximately HK$3,890 million (31 December 2018: HK$6,993 million) and the balance of the interest-bearing debts of the Group amounted to approximately HK$18,206 million (31 December 2018: HK$19,145 million). The weighted average cost of capital of the Group was 8.33% in FY2019 (FY2018: 8.13%).

In FY2019, the Company has been committed to enhancing the communication with the Shareholders and its dedication to investor relationship. Through various channels, such as an investor forum, an investment promotion conference and project visits, the Company has maintained smooth communication with the Shareholders and investors in an effective manner, and enabled the investors to have an in-depth understanding of the Company's development strategy and business philosophy. The Company has also flexibly seized business development opportunities and fully utilised the financing function of its listed company status to issue the 2019 Senior Notes with an aggregate principal amount of US$410 million and extended the maturity date of the outstanding senior secured guaranteed notes in the amount of US$42 million issued by the Company in 2017 ("**2017 Senior Notes**") to 12 December 2020. As at the Latest Practicable Date, all outstanding 2017 Senior Notes in the principal amount of US$42 million have been redeemed.

Outlook

Looking ahead to 2020, due to the unstable global economic environment, together with the unpredictable progress of the trade talk between China and the United States and the adverse economic impact brought about by the outbreak of the COVID-19 in the PRC, economic and financing activities in the PRC will slow down, which will in turn lead to increasingly fierce competition in the real estate industry in the PRC. The Group will enter into a critical stage of development in 2020, with both opportunities and challenges awaiting it. In the future, the Group will continue to have a firm grip of its business in the first-tier cities in the PRC and the Guangdong-Hong Kong-Macau Greater Bay Area, and expand its business in the satellite cities of the first-tier cities and the key second-tier cities in the PRC. In 2020, the Group's inventory for sale will still be its completed projects in Guangzhou, and the Group will continue to step up its efforts to market its projects in the Conghua area in Guangzhou. As at the Latest Practicable Date, the Group's saleable inventory in the Conghua area was relatively abundant. As a result, Conghua will still be a focused sales area of the Group in 2020, where the Group will continue to pay close attention to the sales in this market.

As the additional supply of land resources in the first-tier cities and second-tier core cities in the PRC is nearly saturated, the Group will continue to closely monitor the situation and focus on urban renewal projects to support its medium-term to long-term development in these challenging times, while relying on additional light-asset projects to meet its short-term needs. As the Group will acquire land resources mainly through urban renewal projects in the future, it will leverage on the Company's competitive edge and strengths in urban renewal to boost its urban renewal business. In addition, the Group will maintain its development at an appropriate scale and focus on delivering high-quality projects to raise its brand awareness and reputation.

Upon Completion, the Group will continue to be principally engaged in property development, property investment, project management and other property development related services in the PRC.

6. EFFECT OF THE DISPOSAL

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the Company will cease to have any interest in the Target Company. Therefore, the profit and loss and assets and liabilities of the Target Company will no longer be consolidated into the accounts of the Group.

The actual financial effect of the Disposal to be accounted for in the consolidated financial statements of the Company for the financial year ending 31 December 2020 will be computed based on, inter alia, the financial information of the Target Company as recorded in the Company's consolidated financial statements and the fair value of the Total Consideration received and receivable by the Company upon Completion.

Assets and liabilities

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular which has been prepared as if the Disposal had been completed on 31 December 2019, upon Completion, the unaudited pro forma consolidated total assets of the Group would increase by approximately HK$1,502 million and the unaudited pro forma consolidated total liabilities of the Group would decrease by approximately HK$431 million as a result of the Disposal.

Earnings

After Completion, the earnings of the Group will decrease to such an extent that, the revenue of the Target Group and the Capital Utilisation Fee generated from the Sale Loan will no longer be recorded by the Group. For illustrative purposes, the Group expects to recognise an unaudited gain from the Disposal of approximately RMB1,763 million (equivalent to approximately HK$1,957 million) which is calculated as follows:

	RMB (million)
Total Consideration	3,331
Less: Outstanding Capital Utilisation Fee at Completion *(Note 1)*	(303)
Add: Net liabilities of the Target Company as recorded in the Group's accounts at Completion *(Note 2)*	121
Less: Face value of the Sale Loan at Completion *(Note 3)*	(1,831)
Add: Fair value of the properties to be developed on the Non-Attributable Financing Area entitled by the Group *(Note 4)*	665
Less: Estimated expenses (such as accounting, legal and other professional fees)	(4)
Gain on Disposal before taxation	1,979
Less: Taxation	(216)
Gain from Disposal	1,763

Notes:

1. *The Outstanding Capital Utilisation Fee was determined by reference to the outstanding balance of the Sale Loan for the period from the respective date of the money advanced to 31 December 2019 and at the rate of 24% per annum.*

2. *The unaudited net liabilities of the Target Company as at 31 March 2020 in the amount of approximately RMB121 million (equivalent to approximately HK$134 million) is used in the calculation.*

3. *The face value of the Sale Loan as at 31 December 2019 in the amount of approximately RMB1,831 million (equivalent to approximately HK$2,033 million) is used in the calculation.*

4. *The amount represents the fair value of the properties with a total GFA of approximately 38,179 sq.m. to be developed on the Non-Attributable Financing Area, which have been reserved internally for the Group as at 31 March 2020. The Group may either hold such properties for investment properties held for long-term investment purpose or sell them to the Group's customers who may be interested in such properties, and the Group may generate revenue from such properties accordingly. It is agreed by the parties to the Co-Development Agreement that (i) these properties will be retained by the Group for delivery after completion of the development of the Project (including the completion of the preliminary registration of the properties developed under the Reconstruction Area); and (ii) the Purchaser shall procure the Project Company to transfer such properties to the Group at nil consideration.*

The actual amounts of the consolidated assets and liabilities of the Remaining Group and the gain or loss as a result of the Disposal to be recorded by the Group are subject to the review and the final audit to be performed by the Company's auditors.

7. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Following the Disposal, the Remaining Group will continue to carry out its existing businesses. For the avoidance of doubt, the Remaining Group shall comprise the Company and its subsidiaries but shall exclude the Target Company. The management discussion and analysis of the Remaining Group for FY2017, FY2018 and FY2019 are set out as follows:

FY2019

FINANCIAL REVIEW

Revenue

During FY2019, the Remaining Group's revenue by operating segment included revenue from property development, property investment and project management services. The total revenue of the Remaining Group for FY2019 was approximately HK$3,749,380,000 (FY2018: HK$2,704,796,000), which represented an increase of approximately 38.6% as compared to that for FY2018.

Revenue from property development for FY2019 amounted to approximately HK$2,540,074,000 (FY2018: HK$2,527,991,000). The increase was mainly due to the increase in the average selling price of the properties delivered during FY2019 as compared to that of the properties delivered during FY2018.

The Remaining Group recorded a slight decrease of 0.3% in rental income for FY2019, as compared to that for FY2018. The rental income decreased from approximately HK$164,690,000 for FY2018 to approximately HK$164,248,000 for FY2019, mainly due to the slight decrease in the GFA of the investment properties leased out by the Remaining Group during FY2019.

The income from project management services segment contributed approximately HK$1,045,058,000 (FY2018: HK$12,115,000) to the total revenue of the Remaining Group for FY2019. The significant increase was mainly due to the increase in the number of property development projects and urban redevelopment projects entered into by the Remaining Group in FY2019.

Gross profit and margin

For FY2019, the Remaining Group recorded a gross profit of approximately HK$1,761,827,000 (FY2018: HK$1,087,787,000). The increase was mainly due to the increase in the number of property development projects and urban redevelopment projects entered into by the Remaining Group in FY2019.

Fair value gain on investment properties, net

For FY2019, the fair value gain on investment properties, net, recorded by the Remaining Group amounted to approximately HK$384,868,000 (FY2018: HK$279,009,000), representing an increase of approximately 37.9% as compared to that of FY2018. The increase in fair value gain on investment properties, net was mainly due to the capital appreciation of the commercial complex of the development project known as "Hua Cheng Yujing Garden* (花城御景花園)" (formerly known as "Zhujiang Xincheng Yujing* (珠江新城御景)") ("**Hua Cheng Yujing Garden**") and the hotel located in Meizhou as at 31 December 2019.

Other income and gains

Other income and gains of the Remaining Group decreased to approximately HK$435,977,000 during FY2019 (FY2018: HK$468,528,000). The decrease was primarily due to the decrease in interest income earned during FY2019 as compared to that in FY2018.

Administrative expenses and selling and marketing costs

Administrative expenses and selling and marketing costs of the Remaining Group increased from approximately HK$338,113,000 for FY2018 to approximately HK$391,063,000 for FY2019. The increase was primarily due to (i) the increase in the selling and marketing costs incurred to boost the contracted sales during FY2019; and (ii) the increase in the staff costs due to the increase in the number of employees in FY2019.

Other expenses

Other expenses of the Remaining Group increased from approximately HK$158,807,000 for FY2018 to approximately HK$412,560,000 for FY2019. Other expenses mainly comprised (i) foreign exchange losses of approximately HK$249,603,000 (FY2018: HK$60,376,000); (ii) impairment loss of financial assets following the assessment of expected credit loss of approximately HK$144,677,000 (FY2018: HK$32,698,000); and (iii) provision for administrative penalties of approximately HK$14,573,000 (FY2018: HK$58,513,000). The increase was mainly attributable to the increase in foreign exchange losses as a result of the depreciation of the RMB against the HK$ during FY2019 as compared to that in FY2018 and the impairment loss of financial assets following the assessment of expected credit loss.

* *For identification purpose only*

Change in fair value of financial assets at fair value through profit or loss

Change in fair value of financial assets at fair value through profit or loss of the Remaining Group increased from approximately HK$459,600,000 for FY2018 to approximately HK$662,507,000 for FY2019. The increase was mainly due to the increase in the fair value of certain project management services agreements as at 31 December 2019 under which the Remaining Group agreed to provide funding and management services in relation to property development projects.

Share of profit of an associate

Share of profit of an associate was approximately HK$144,797,000 during FY2019 (FY2018: share of loss of HK$12,760,000), which represented the Remaining Group's share of the profit from its associate, Silver Grant, the shares of which are listed on the Main Board of the Stock Exchange with stock code: 0171. As at 31 December 2019, Silver Grant and its subsidiaries (collectively, the "**Silver Grant Group**") were principally engaged in property leasing and investments. The Remaining Group completed the acquisitions of approximately 29.56% interest of the issued share capital of Silver Grant on 31 October 2018 and Silver Grant has become an associate of the Company since then.

Finance costs

Finance costs for FY2019 were approximately HK$1,442,549,000 (FY2018: HK$1,248,810,000), which were made up of interest expenses incurred during FY2019 after deduction of the interest expenses capitalised to development costs. The increase in finance costs was mainly due to the increase in the cost of borrowings of the Remaining Group in FY2019.

Income tax expense

Income tax expense comprised corporate income tax ("**CIT**") and land appreciation tax ("**LAT**") in the PRC and deferred tax. CIT of approximately HK$201,676,000 (FY2018: HK$214,696,000), LAT of approximately HK$153,149,000 (FY2018: HK$105,680,000) and deferred tax of approximately HK$250,622,000 (FY2018: HK$128,242,000) accounted for the Remaining Group's total income tax expense of approximately HK$605,447,000 for FY2019 (FY2018: HK$448,618,000). The increase in total income tax expense for FY2019 was mainly due to the net effect of (i) the decrease in tax-deductible expenses incurred during FY2019, as compared to those incurred in FY2018; (ii) the increase in the provision of deferred tax made for FY2019, as compared to that for FY2018; and (iii) the decrease in income generated during FY2019 which was not subject to income tax, as compared to that generated in FY2018.

Profit for the year

The Remaining Group's profit for FY2019 was approximately HK$538,357,000 (FY2018: HK$87,816,000), which represented an increase of approximately 513.1% as compared to that for FY2018. The increase in profit was mainly attributable to (i) the increase in the revenue during FY2019 to approximately HK$3,749,380,000 (FY2018: HK$2,704,796,000); and (ii) the increase in the change in fair value of financial assets at fair value through profit or loss recorded during FY2019 to approximately HK$662,507,000 (FY2018: HK$459,600,000), which were partially offset by (a) the increase in other expenses recorded in FY2019 to approximately HK$412,560,000 (FY2018: HK$158,807,000); (b) the increase in finance costs incurred by the Remaining Group during FY2019 to approximately HK$1,442,549,000 (FY2018: HK$1,248,810,000); and (c) the increase in the income tax expenses incurred by the Remaining Group during FY2019 to approximately HK$605,447,000 (FY2018: HK$448,618,000).

Treasury and funding policies

The Remaining Group has adopted a prudent approach with respect to its treasury and funding policies. During FY2019, the Remaining Group's financial and fundraising activities were subject to effective centralised management and supervision, with an emphasis on risk management and transactions that were directly related to the business of the Remaining Group.

Cash position

As at 31 December 2019, the Remaining Group's bank and cash balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK$3,889,795,000 (31 December 2018: HK$6,993,073,000). The cash and cash equivalents of the Remaining Group were mainly denominated in RMB, US$ and HK$.

Borrowings, charges on group assets and gearing ratio

The Remaining Group's bank and other borrowings comprised the following:

	31 December 2019	**31 December 2018**
	HK$'000	*HK$'000*
Bank loans — secured	4,659,742	5,661,378
Bank loans — unsecured and guaranteed	478,264	—
Senior notes — secured	3,381,035	3,551,193
Other borrowings — secured	8,771,545	9,712,584
Other borrowings — unsecured and guaranteed	220,000	220,000
Lease liability	20,242	—
	17,530,828	19,145,155

(a) As at 31 December 2019, the Remaining Group's total borrowings were made up of financing from (i) bank loans; (ii) senior notes; (iii) other borrowings, including trust loans, a margin loan and a term loan facility; and (iv) a lease liability. Out of these borrowings, approximately HK$1,270,973,000 (31 December 2018: HK$1,569,398,000), approximately HK$12,792,764,000 (31 December 2018: HK$13,773,675,000) and approximately HK$3,467,091,000 (31 December 2018: HK$3,802,082,000) were denominated in HK$, RMB and US$, respectively. The senior notes and other borrowings carried fixed interest rates ranging from 3.00% to 12% (31 December 2018: 7.51% to 12%). Approximately 97.4% (31 December 2018: 89.6%) of the bank loans carried fixed interest rates ranging from 2.97% to 14.25% (31 December 2018: 5.27% to 11.0%) while the remaining 2.6% (31 December 2018: 10.4%) of the bank loans carried floating interest rates.

(b) The gearing ratio of the Remaining Group is measured by the net debt (total interest-bearing borrowings net of cash and cash equivalents, term deposits with initial terms of over three months and restricted cash) over the total capital (total equity plus net debt) of the Remaining Group. As at 31 December 2019, the gearing ratio of the Remaining Group was 65% (31 December 2018: 64%).

(c) As at 31 December 2019, the Remaining Group had outstanding secured bank loans of approximately HK$4,659.7 million, which were secured by the following: (i) the Remaining Group's investment properties; (ii) the Remaining Group's properties under development; (iii) the Remaining Group's completed properties held for sale; (iv) the Remaining Group's term deposits; and (v) the entire equity interest of the Company's subsidiaries, namely, Urban Renewal Group, Xianghe Yijing and Meizhou Yujing. The secured bank loans comprised (1) a revolving bank loan in the principal amount of HK$49.48 million with the final maturity date falling due in August 2020; (2) a bank loan in the principal amount of RMB120 million repayable by instalments within 3 years with the last instalment due in July 2020; (3) a bank loan in the principal amount of RMB127 million repayable by instalments within 3 years with the last instalment due in December 2020; (4) a bank loan in the principal amount of RMB750 million due in July 2020; (5) a bank loan in the principal amount of RMB5 million due in August 2021; (6) a bank loan in the principal amount of RMB2,500 million due in August 2021; (7) a bank loan in the principal amount of RMB1 million due in November 2022; (8) a bank loan in the principal amount of US$11.05 million due in November 2020; (9) a revolving bank loan in the principal amount of RMB50 million due in June 2020; (10) a bank loan in the principal amount of RMB300 million repayable by instalments within 3 years with the last instalment due in November 2021; (11) bank loans in the principal amount of HK$198.56 million due in September 2021; and (12) a bank loan in the principal amount of HK$349 million due in October 2021.

** For identification purpose only*

(d) As at 31 December 2019, the Remaining Group had an outstanding unsecured and guaranteed bank loan of approximately HK$478.3 million, which was guaranteed by (i) the corporate guarantees executed by the Company, Guangdong Zhuguang Group and one of the subsidiaries of Guangdong Zhuguang Group; and (ii) the personal guarantees executed by the executive Director, Mr. Chu Hing Tsung. The unsecured and guaranteed bank loan had a principal amount of RMB600 million repayable by instalments within 4 years with the last instalment due in October 2021.

(e) As at 31 December 2019, the Remaining Group had outstanding 2019 Senior Notes in the aggregate principal amount of US$410 million (equivalent to approximately HK$3,060.1 million), due on 21 September 2022, which were secured and guaranteed by (i) 3,361,112,000 Shares owned by Rong De; (ii) the 100% equity interest of the Company's subsidiaries, namely, Ai De, Capital Fame, Cheng Chang, East Orient, Ever Crown, Fresh International, Fully Wise, Polyhero International, Profaith International, Talent Wide, Top Asset, Top Perfect, Vanco Investment and World Sharp; (iii) the corporate guarantees executed by Rong De, Zhuguang Group, South Trend, Ai De, Capital Fame, Cheng Chang, East Orient, Ever Crown, Fully Wise, Polyhero International, Profaith International, Talent Wide, Top Asset, Top Perfect, Vanco Investment, Fresh International and World Sharp; and (iv) the personal guarantees executed by the executive Directors, namely, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi.

(f) As at 31 December 2019, the Remaining Group had outstanding 2017 Senior Notes in the principal amount of US$42 million (equivalent to approximately HK$320.9 million). The maturity date of the 2017 Senior Notes has been extended to 12 December 2020 by a consent letter dated 22 January 2020 entered into between the relevant parties. The first tranche of the 2017 Senior Notes in the outstanding principal amount of US$42 million was secured and guaranteed by (i) 100,000,000 Shares owned by Rong De; (ii) the 100% equity interest of the Company's subsidiaries, namely, Victory Global Investments Limited (榮浩投資有限公司) ("**Victory Global**"), China Honest International Investments Limited (創豪國際投資有限公司) ("**China Honest**") and Graceful Link Limited (愉興有限公司) ("**Graceful Link**"); (iii) the corporate guarantees executed by Rong De, South Trend, Victory Global and China Honest; and (iv) the personal guarantees executed by the executive Directors, namely, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi. As at 31 December 2019 and up to the date of the Annual Report 2019, the second tranche of the 2017 Senior Notes had not been issued.

(g) As at 31 December 2019, the Remaining Group had outstanding secured other borrowings of approximately HK$8,771.5 million, which were secured and guaranteed by (i) the Remaining Group's properties for sale under development and completed properties held for sale; (ii) the Remaining Group's assets under construction under property and equipment and land use rights classified under intangible assets; (iii) the Remaining Group's investment properties; (iv) the entire equity interest of the Company's subsidiaries, namely, Runqi Property, Guangdong Hailian, Dong Gang and Zhuguang Industrial; (v) certain equity interest of the Target Company; (vi) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; (vii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi; (viii) 425,000,000 Shares owned by Rong De; and (ix) 681,240,000 shares in Silver Grant owned by the Company. The secured other borrowings comprised (1) a loan in the principal amount of RMB2,550 million due in December 2022; (2) a loan in the principal amount of RMB551 million repayable by instalments within 8 years with the last instalment due in November 2024; (3) a loan in the principal amount of RMB636 million due in April 2026; (4) a loan in the principal amount of RMB1,104.3 million repayable by instalments within 3 years with the last instalment due in July 2020; (5) a loan in the principal amount of RMB629.6 million repayable by instalments within 3 years with the last instalment due in January 2020; (6) a loan in the principal amount of RMB1,200 million due in July 2021; (7) a loan in the principal amount of RMB450 million repayable by instalments within 3 years with the last instalment due in January 2021; (8) a loan in the principal amount of RMB1,200 million due in July 2021; (9) loans in the principal amounts of HK$430 million due in October 2020; (10) loans in the principal amount of RMB165.5 million repayable by instalments within 2 years with the last instalment due in November 2021; and (11) a loan in the principal amount of RMB58.5 million repayable by instalments within 2 years with the last instalment due in November 2021.

(h) As at 31 December 2019, the Remaining Group had outstanding unsecured and guaranteed other borrowings of HK$220 million, which were guaranteed by the personal guarantee executed by the executive Director, Mr. Chu Hing Tsung. The unsecured and guaranteed other borrowings comprised (1) a loan in the principal amount of HK$20 million due in March 2020; and (2) a loan in the principal amount of HK$200 million due in June 2020.

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Issue of subscription shares

On 26 November 2018, the Company entered into a subscription agreement with Rong De (the controlling shareholder of the Company), pursuant to which the Company has conditionally agreed to allot and issue, and Rong De has conditionally agreed to subscribe for, 770,000,000 new Shares ("**Subscription Shares**", each a "**Subscription Share**") at the price ("**Subscription Price**") of HK$1.30 per Subscription Share ("**Subscription**"). The Subscription Price represents: (i) a discount of approximately 6.5% over the closing price of HK$1.39 per Share as quoted on the Stock Exchange on 23 November 2018 ("**Last Trading Day**"); (ii) a discount of approximately 7.8% over the average closing price of HK$1.41 per Share for the last five consecutive trading days up to and including the Last Trading Day; (iii) a discount of approximately 9.1% over the average closing price of HK$1.43 per Share for the last 10 consecutive trading days up to and including the Last Trading Day; and (iv) a premium of approximately 60.5% over the audited net asset value per Share of approximately HK$0.81 as at 31 December 2017. The closing price of the Shares on 26 November 2018, being the date on which the terms of the Subscription were fixed, was HK$1.42 per Share. Completion of the Subscription took place on 2 January 2019, upon which 770,000,000 Shares of an aggregate nominal value of HK$77,000,000 have been successfully subscribed by Rong De at the Subscription Price of HK$1.30 per Subscription Share. The total net proceeds of approximately HK$1,000.5 million received by the Company from the Subscription have been fully used by the Group for repaying its bank and other borrowings as intended.

FINANCIAL GUARANTEE CONTRACTS

The Remaining Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Remaining Group's properties as follows:

	31 December 2019	**31 December 2018**
	HK$'000	*HK$'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Remaining Group's properties	3,671,035	3,313,578

The Remaining Group has arranged bank financing for certain purchasers of the Remaining Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees will terminate upon the earlier of (i) the issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgage loan by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Remaining Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Remaining Group is entitled to take over the legal title and possession of the related properties.

Except for the financial guarantee contracts as disclosed above, the Remaining Group had no material contingent liabilities as at 31 December 2019 (31 December 2018: Nil).

FOREIGN EXCHANGE RATE

During FY2019, the Remaining Group conducted its business almost exclusively in RMB except that certain transactions were conducted in HK$ and US$. The conversion of RMB into HK$, US$ or other foreign currencies has been based on the rates set by the People's Bank of China. The value of RMB against the HK$, US$ and other foreign currencies may fluctuate and is affected by factors such as changes in the PRC's political and economic conditions. During FY2019, the Remaining Group did not adopt any financial instruments for hedging purposes. However, the Remaining Group will constantly assess the foreign exchange risk it encounters so as to decide on the hedging policy required against the possible foreign exchange risk that may arise.

CAPITAL COMMITMENTS

As at 31 December 2019, the capital expenditures of the Remaining Group for 2020 were expected to be settled by cash through its internal resources. Please refer to note 41 of the notes to the consolidated financial statements of the Company for FY2019 as set out in the Annual Report 2019 for the details of the capital and other commitments of the Remaining Group as at 31 December 2019.

EMPLOYEES AND REMUNERATION POLICIES

The Remaining Group had in aggregate 476 employees in Hong Kong and the PRC as at 31 December 2019 (31 December 2018: 332). During FY2019, the level of the Remaining Group's overall staff cost was approximately HK$154.6 million (FY2018: HK$103.9 million). The employees of the Remaining Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefits. The Directors' remuneration is determined based on their qualifications, experience, duties and responsibilities, the Company's remuneration policy and the prevailing market conditions.

The Remaining Group encourages sustainable training of its employees through coaching and further studies. In-house training was provided to eligible employees during FY2019, including training on updates of accounting standards and training on market updates.

During FY2019, the Remaining Group did not experience any significant problem with its employees or disruption to its operations due to labour discipline nor did it experience any difficulty in the recruitment and retention of experienced staff. The Remaining Group maintained a good relationship with its employees in FY2019. Most members of the senior management have been working for the Remaining Group for many years.

BUSINESS REVIEW

During FY2019, faced with growing economic downward pressure, the central people's government of the PRC pledged to maintain supportive policies toward private businesses, with tax cuts to ease tax burdens for the private sector, incentives to boost innovation and stimulus to shore up confidence and stabilise the economy in the PRC. During FY2019, the Remaining Group adjusted its sales policy according to the changing market conditions in a timely manner, utilised various sales strategies in a flexible way and proactively promoted bulk sales. It strengthened its sales efforts for its projects under development, thereby achieving a steady sales volume in its contracted sales. Meanwhile, the Remaining Group sped up the return of funds in order to reduce the cost of loans and its gearing ratio, expedite its capital turnover and provide guarantee for the funding of its new projects.

The Remaining Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects, primary land development, co-operation with real estate project companies and acquisition of real estate project companies.

During FY2019, South Trend, a wholly-owned subsidiary of the Company, entered into the SP Agreement in relation to the acquisition of 100% of the issued share capital of All Flourish, which indirectly holds 51% interests in Guangzhou Project Company. The Guangzhou Project Company holds interests in the AEC Project known as "Zhuguang Financial Town One* (珠光金融城壹號)" with a total GFA for development of approximately 360,655 sq.m., which is located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC and is near the Sanxi (三溪) Station of Guangzhou Metro Line No. 5 and within the scope of the planned Guangzhou International Financial Town (廣州國際金融城) in Tianhe District, Guangzhou City, Guangdong Province, the PRC. Such acquisition was completed in March 2020 ("**AEC Completion**"), upon which All Flourish has become an indirect wholly-owned subsidiary of the Company. After the AEC Completion, the financial results of the Guangzhou Project Company have not been consolidated into those of the Remaining Group under the applicable accounting standards but have been equity accounted for as a joint venture.

** For identification purpose only*

Property Development and Sales

During FY2019, the Remaining Group continued its focus on the first-tier and key second-tier cities in the PRC with potential growth in demand for properties. The Remaining Group achieved contracted sales of approximately HK$2,559,945,000 and contracted GFA of approximately 183,879 sq.m. in FY2019, representing an increase of approximately 0.88% and a decrease of approximately 9.36% respectively as compared with those for FY2018.

Land Bank

It is the Remaining Group's strategy to maintain a sufficient land bank and design accurate urban layout to support the Remaining Group's own development pipeline for at least the next three to five years. The Remaining Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects and acquisition of other property development projects. The Remaining Group will continue to explore new opportunities in cities in the PRC in which the Remaining Group has already invested, as well as new cities in the PRC with growth potential and the best investment value.

Property Investments

As at 31 December 2019, the Remaining Group owned (1) certain floors of Royal Mediterranean Hotel ("**RM Hotel**") located at 518 Tianhe Road, Tianhe District, Guangzhou, the PRC, with GFA of approximately 18,184 sq.m. (31 December 2018: 18,184 sq.m.); (2) a 35-storey high-rise commercial complex with GFA of approximately 43,918 sq.m., located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, at the junction of Guangzhou Avenue* (廣州大道) and Huang Pu Da Dao* (黃埔大道), and comprising a 6-storey commercial podium, a 29-storey Grade A office building and a 3-storey underground car park ("**Zhukong International**") (31 December 2018: 43,918 sq.m.); (3) certain floors of a commercial complex in Hua Cheng Yujing Garden with GFA of approximately 32,051 sq.m. (31 December 2018: 30,604 sq.m.); (4) a hotel located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, the PRC, with GFA of approximately 7,389 sq.m. (31 December 2018: Nil); and (5) certain commercial properties in the Guangdong Province, the PRC, with GFA of approximately 18,459 sq.m. (31 December 2018: 14,310 sq.m.) as investment properties. During FY2019, RM Hotel, Zhukong International and the commercial properties were partially leased out with total rental income of approximately HK$164,248,000 generated, representing a slight decrease of approximately 0.3% as compared to that of approximately HK$164,690,000 for FY2018. The existing investment properties held by the Remaining Group are intended to be held for medium-term to long-term investment purposes. The Remaining Group will continue to seek high quality properties with potential appreciation in value for investment purposes and build up a portfolio that will generate steady cash flows to the Remaining Group in the future.

** For identification purpose only*

Project Management Services

During FY2019, the Remaining Group provided funding and project management services to its customers for property development projects and urban redevelopment projects. The Remaining Group was entitled to project management services income based on the terms of the entrusted construction and management service agreements entered into with these customers and such income enables the Remaining Group to broaden its income source. The Remaining Group recorded project management services segment results of approximately HK$1,345,935,000 for FY2019, comparing to that of approximately HK$471,715,000 for FY2018. The increase in the revenue generated from this business segment was mainly attributable to the increase in the number of property development projects and urban redevelopment projects entered into by the Remaining Group in FY2019. The Remaining Group will continue to utilise its expertise in project management in order to maintain a steady income stream in the future.

Significant Investment

As at 31 December 2019, the Remaining Group's investment in an associate, Silver Grant, the shares of which are listed on the Main Board the Stock Exchange with stock code: 0171, was the only significant investment held by the Remaining Group which represented 5% or more of the Remaining Group's total assets. As at 31 December 2019, the Remaining Group held 681,240,022 ordinary shares of Silver Grant, representing 29.56% of the equity interest of Silver Grant, which were acquired by the Remaining Group for an aggregate cash consideration of approximately HK$2,058,415,000 during FY2018. As at 31 December 2019, the Silver Grant Group was principally engaged in property leasing and investments. The carrying amount of this investment was HK$2,182,785,000, representing approximately 6.09% of the total assets of the Remaining Group as at 31 December 2019. During FY2019, the Remaining Group received no dividend income from this investment and recorded a share of profit from this investment of approximately HK$144,797,000 (2018: share of loss of approximately HK$12,760,000). As disclosed in the preliminary announcement of audited annual results for FY2019 of Silver Grant dated 8 May 2020, (i) the outbreak of the COVID-19 has made a significant adverse impact on the daily operations of Silver Grant Group; (ii) as the balance of non-performing loans carried by commercial banks in the PRC has been increasing continuously, the Silver Grant Group would follow the development pattern of the macro-economy, thoroughly investigate the regulatory policies and the changes in the legislative policies, to identify the business direction that is supported by the relevant policies, and make investments in non-performing loans that will provide high returns accordingly and would participate in the restructuring of low-performing enterprises that have operational value; and (iii) a joint venture of Silver Grant would boost its efforts in developing high-end lubricating oil products, expanding its scale in the lubricating oil industry, and transforming into a high-end polyolefin enterprise, so as to increase its profit, which would in turn create better returns for the shareholders of Silver Grant. The Remaining Group will continue to hold this investment as a long-term investment.

MATERIAL ACQUISITIONS AND DISPOSALS

During FY2019, the Remaining Group entered into the following contracts:

(a) On 23 June 2017, South Trend, as purchaser, Quan Xing Holdings Limited (荃興控股有限公司), as vendor ("**Quan Xing**"), and Cheung Fong Wing ("**Mr. Cheung**"), as guarantor, entered into a sale and purchase agreement ("**All Flourish SPA**"), which was amended and supplemented by the supplemental agreements dated 28 March 2018, 2 August 2018 and 28 December 2018 entered into among South Trend, Quan Xing and Mr. Cheung in relation to the acquisition of the entire issued share capital of All Flourish at the consideration of RMB3.5 billion (equivalent to approximately HK$3.95 billion) (subject to adjustment) ("**First All Flourish Acquisition**"). As completion of the First All Flourish Acquisition was conditional upon and subject to the satisfaction of certain conditions precedent (unless having been otherwise waived) on or before 30 June 2019 (or such later date as South Trend and Quan Xing may agree in writing) and such conditions precedent were not fulfilled by 30 June 2019, the All Flourish SPA lapsed on 30 June 2019.

Further details of the First All Flourish Acquisition are set out in the announcements of the Company dated 23 June 2017, 27 October 2017, 14 February 2018, 28 March 2018, 29 June 2018, 2 August 2018, 31 October 2018, 28 December 2018 and 1 July 2019.

(b) On 18 December 2019, South Trend, as purchaser, Quan Xing, as vendor, and Mr. Cheung, as guarantor, entered into the SP Agreement in relation to the All Flourish Acquisition. Pursuant to the SP Agreement, South Trend has conditionally agreed to acquire, and Quan Xing has conditionally agreed to sell, the entire issued share capital of All Flourish at the consideration of RMB1,050 million (equivalent to approximately HK$1,165.7 million).

All Flourish holds 100% of the equity interests of Pacific Win, and Pacific Win in turn holds 51% of the equity interests of the Guangzhou Project Company, which holds interests in the AEC Project known as "Zhuguang Financial Town One* (珠光金融城壹號)", which is located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC.

The AEC Project involves the development of three parcels of land with a total site area of approximately 63,637 sq.m., which are being developed into buildings for office, apartment and commercial uses. The total GFA for sale and development of the AEC Project are approximately 352,496 sq.m. and 360,655 sq.m., respectively, and the AEC Project comprises five phases of development. Phase I which covers four blocks of apartment buildings (including a retail portion) with a total GFA available for sale of approximately 33,081 sq.m. was under construction as at the date of the Annual Report 2019 and is scheduled to be completed in November 2020. Phase II to Phase V with a total GFA available for sale of approximately 319,415 sq.m. are scheduled to be completed in March 2024.

* *For identification purpose only*

The All Flourish Acquisition was completed in March 2020, upon which All Flourish and Pacific Win have become indirect wholly-owned subsidiaries of the Company. While the financial results of All Flourish and Pacific Win have been consolidated into the Remaining Group's financial statements after the AEC Completion, the financial results of the Guangzhou Project Company have not been consolidated into those of the Remaining Group under the applicable accounting standards but have been equity accounted for as a joint venture.

Further details of the All Flourish Acquisition are set out in the announcement of the Company dated 18 December 2019.

FY2018

FINANCIAL REVIEW

Revenue

During FY2018, the Remaining Group's revenue included revenue from property sales, rental income and project management services income. The total revenue of the Remaining Group for FY2018 was approximately HK$2,704,796,000 (FY2017: HK$2,766,510,000), which represented a slight decrease of 2.2% as compared to that for FY2017.

Revenue from sale of properties for FY2018 amounted to approximately HK$2,527,991,000 (FY2017: HK$2,262,085,000). The increase was mainly due to the increase in the average selling price of the properties delivered during FY2018 as compared to that of the properties delivered during FY2017.

The Remaining Group recorded an increase of 17.6% in rental income for FY2018, as compared to that for FY2017. The rental income increased from approximately HK$139,992,000 for FY2017 to approximately HK$164,690,000 for FY2018, mainly due to the additional GFA of investment properties leased out by the Remaining Group during FY2018.

The income from project management services contributed approximately HK$12,115,000 (FY2017: HK$364,433,000) to the total revenue of the Remaining Group for FY2018. As a result of the change in accounting policy and the adoption of Hong Kong Financial Reporting Standard 9 ("**HKFRS 9**") in FY2018, the trade and other receivables in connection with certain project management services agreements were reclassified as financial assets at fair value through profit or loss. The income of the relevant project management services agreements was accounted for as change in fair value of financial assets at fair value through profit or loss in FY2018.

Gross profit and margin

For FY2018, the Remaining Group recorded a gross profit of approximately HK$1,087,787,000 (FY2017: HK$1,018,289,000). The Remaining Group's gross profit on the property development segment amounted to approximately HK$910,982,000 (FY2017: HK$515,100,000), representing a 76.9% increase as compared with that of FY2017. The increase was mainly due to both the GFA and the average selling price of the properties delivered during FY2018 being higher than those of the properties delivered during FY2017.

Fair value gain on investment properties, net

For FY2018, the fair value gain on investment properties, net, recorded by the Remaining Group amounted to approximately HK$279,009,000 (FY2017: HK$43,100,000), representing an increase of 547.4% as compared to that of FY2017. The fair value gain on investment properties, net, recorded during FY2018 was mainly attributable to the continuous rise in the market value of the Remaining Group's investment properties in RM Hotel, Zhukong International and the commercial complex located in Hua Cheng Yujing Garden.

Other income and gains

Other income and gains of the Remaining Group increased from approximately HK$397,544,000 for FY2017 to approximately HK$468,528,000 for FY2018. The increase was primarily due to the increase in interest income earned during FY2018 as compared to that in FY2017.

Administrative expenses and selling and marketing costs

Administrative expenses and selling and marketing costs of the Remaining Group increased from approximately HK$218,620,000 for FY2017 to approximately HK$338,113,000 for FY2018. The increase was primarily due to the general increase in administrative expenses during FY2018, including (i) the staff costs due to the increase in the number of employees; and (ii) the provision of professional fees payable for due diligence and refinancing arrangements and settlement in relation to potential projects.

Other expenses

Other expenses of the Remaining Group increased from approximately HK$32,690,000 for FY2017 to approximately HK$158,807,000 for FY2018. The increase was mainly attributable to the foreign exchange loss as a result of the depreciation of the RMB against the HK$ during FY2018 and the impairment loss of other receivables and deposits.

Change in fair value of financial assets at fair value through profit or loss

Due to the change in accounting policy and the adoption of HKFRS 9 by the Remaining Group in FY2018, trade and other receivables in connection with certain project management service agreements under which the Remaining Group agreed to provide funding and management services in relation to property project development, were reclassified to financial assets at fair value through profit or loss, resulting in the income of the relevant project management services agreement of approximately HK$459,600,000 being recognised as change in fair value of financial assets at fair value through profit or loss in FY2018 (FY2017: Nil).

Share of loss of an associate

Share of loss of an associate was approximately HK$12,760,000 for FY2018 (FY2017: Nil), which represented the Remaining Group's share of the loss from its associate, Silver Grant, for the period from 31 October 2018 (i.e. the date on which Silver Grant became an associate of the Company) to 31 December 2018.

Finance costs

Finance costs for FY2018 were approximately HK$1,248,810,000 (FY2017: HK$939,346,000), which were made up of interest expenses incurred during FY2018 after deduction of the interest expenses capitalised to development costs. The increase in finance costs was mainly due to the issue of the senior secured guaranteed notes in the aggregate principal amount of US$50,000,000 by the Company in the last quarter of FY2017 and the increase in bank and other borrowings of the Remaining Group during FY2018.

Income tax expense

Income tax expenses comprised CIT and LAT in the PRC and deferred tax. CIT of approximately HK$214,696,000 (FY2017: HK$222,155,000), LAT of approximately HK$105,680,000 (FY2017: HK$60,961,000) and deferred tax of approximately HK$128,242,000 (FY2017: deferred tax credit of HK$45,403,000) accounted for the Remaining Group's total income tax expense of approximately HK$448,618,000 for FY2018 (FY2017: HK$237,713,000). The increase in total income tax expense for FY2018 was mainly due to the net effect of (i) the increase in tax-deductible expenses incurred during FY2018, as compared to those incurred in FY2017; (ii) the increase in the provision of deferred tax made for FY2018, as compared to that for FY2017; and (iii) the decrease in income generated during FY2018 which was not subject to income tax, as compared to that generated in FY2017.

Profit for the year

The Remaining Group's profit for the year was approximately HK$87,816,000 for FY2018 (FY2017: HK$145,438,000), which represented a decrease of approximately 39.6% as compared to that for FY2017. The decrease in profit was mainly attributable to the combined effects of (i) the share of loss of an associate of approximately HK$12,760,000 recognised in FY2018, which was absent in FY2017; (ii) the increase in the other expenses recognised in FY2018 to approximately HK$158,807,000 (FY2017: HK$32,690,000); (iii) the increase in finance costs incurred by the Remaining Group during FY2018 to approximately HK$1,248,810,000 (FY2017: HK$939,346,000); and (iv) the increase in the income tax expense incurred by the Remaining Group during FY2018 to approximately HK$448,618,000 (FY2017: HK$237,713,000), which were partially offset by (1) the increase in the fair value gain on investment properties, net, to approximately HK$279,009,000 recognised in FY2018 (FY2017: HK$43,100,000); and (2) the recognition of the change in fair value of financial assets at fair value through profit or loss in FY2018 of approximately HK$459,600,000, which was absent in FY2017.

Treasury and funding policies

The Remaining Group has adopted a prudent approach with respect to its treasury and funding policies. During FY2018, the Remaining Group's financial and fundraising activities were subject to effective centralised management and supervision, with an emphasis on risk management and transactions that were directly related to the business of the Remaining Group.

Cash position

As at 31 December 2018, the Remaining Group's bank and cash balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK$6,993,073,000 (31 December 2017: HK$4,575,317,000). The cash and cash equivalents of the Remaining Group were mainly denominated in RMB, US$ and HK$.

Borrowings, charges on group assets and gearing ratio

The Remaining Group's bank and other borrowings comprised the following:

	31 December 2018	**31 December 2017**
	HK$'000	*HK$'000*
Bank loans — secured	5,661,378	1,261,612
Senior notes — secured	3,551,193	3,477,499
Other borrowings — secured	9,712,584	6,423,192
Other borrowings — unsecured	220,000	—
	19,145,155	11,162,303

(a) As at 31 December 2018, the Remaining Group's total borrowings were made up of financing from (i) bank loans; (ii) senior notes; and (iii) other borrowings, including trust loans, a margin loan and a term loan facility. The senior notes and other borrowings carried fixed interest rates ranging from 7.51% to 12.4% (31 December 2017: 8% to 11%). Approximately 89.6% of the bank loans carried fixed interest rates ranging from 5.27% to 11.0% (31 December 2017: 6.18% to 9.5%) while the remaining 10.4% of the bank loans carried floating interest rates.

(b) The gearing ratio of the Remaining Group is measured by the net debt (total interest-bearing borrowings net of cash and cash equivalents, term deposits with initial terms of over three months and restricted cash) over the total capital (total equity plus net debt) of the Remaining Group. As at 31 December 2018, the gearing ratio of the Remaining Group was 64% (31 December 2017: 56%).

(c) As at 31 December 2018, the Remaining Group had outstanding secured bank loans of approximately HK$5,661.4 million, which were secured by the following: (i) the Remaining Group's investment properties; and (ii) the Remaining Group's properties under development and completed properties held for sale. The secured bank loans comprised (1) a bank loan in the principal amount of US$33 million due in January 2019; (2) a revolving bank loan in the principal amount of HK$336.5 million with the final maturity date falling due in December 2019; (3) a bank loan in the principal amount of RMB120 million repayable by instalments within 3 years with the last instalment due in July 2020; (4) a bank loan in the principal amount of RMB127 million repayable by instalments within 4 years with the last instalment due in December 2021; (5) a bank loan in the principal amount of RMB750 million due in July 2020; (6) a bank loan in the principal amount of RMB833.5 million due in August 2019; (7) a bank loan in the principal amount of RMB750 million due in September 2019; (8) a bank loan in the principal amount of RMB340 million repayable by instalments within 25 months with the last instalment due in September 2019; (9) a bank loan in the principal amount of RMB800 million repayable by instalments within 2 years with the last instalment due in March 2020; (10) a bank loan in the principal amount of RMB500 million repayable by instalments within 2 years with the last instalment due in October 2021; and (11) a bank loan in the principal amount of RMB300 million repayable by instalments within 3 years with the last instalment due in November 2021.

(d) As at 31 December 2018, the Remaining Group had outstanding senior secured guaranteed notes issued in 2016 ("**2016 Senior Notes**") in the aggregate principal amount of US$410 million (equivalent to approximately HK$3,171 million), consisting of principal amounts of US$190,000,000 (equivalent to approximately HK$1,482,000,000) and US$220,000,000 (equivalent to approximately HK$1,716,000,000) due on 3 August 2019 and 22 September 2019, respectively, which were secured and guaranteed by (i) the 3,021,112,000 Shares owned by Rong De; (ii) the 100% equity interest of the Company's subsidiaries, namely, Ai De, Capital Fame, Cheng Chang, Diamond Crown Limited (毅冠有限公司) ("**Diamond Crown**"), East Orient, Ever Crown, Fully Wise, Gains Wide Holdings Limited (利博控股有限公司) ("**Gains Wide**"), Polyhero International, Profaith International, Speedy Full Limited

(速溢有限公司) ("**Speedy Full**"), Talent Wide, Top Asset, Top Perfect and Vanco Investment; (iii) the corporate guarantees executed by Rong De, South Trend, Zhuguang Group, Ai De, Capital Fame, Cheng Chang, Diamond Crown, East Orient, Ever Crown, Fully Wise, Gains Wide, Polyhero International, Profaith International, Speedy Full, Talent Wide, Top Asset, Top Perfect and Vanco Investment; and (iv) the personal guarantees executed by the executive Directors, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi.

(e) As at 31 December 2018, the Remaining Group had outstanding 2017 Senior Notes in the principal amount of US$50 million (equivalent to approximately HK$380.2 million) due on 12 December 2019. The first tranche of the 2017 Senior Notes in the principal amount of US$50 million was secured and guaranteed by (i) 100 million Shares owned by Rong De; (ii) the 100% equity interest of the Company's subsidiaries, namely, Victory Global, China Honest and Graceful Link; (iii) the corporate guarantees executed by Rong De, South Trend, Victory Global and China Honest; and (iv) the personal guarantees executed by the executive Directors, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi. As at 31 December 2018 and up to the date of the Annual Report 2018, the second tranche of the 2017 Senior Notes had not been issued.

(f) As at 31 December 2018, the Remaining Group had outstanding secured other borrowings of approximately HK$9,712.6 million, which were secured and guaranteed by (i) the Remaining Group's properties for sale under development and completed properties held for sale; (ii) the Remaining Group's land use rights classified under prepaid land lease payments; (iii) the Remaining Group's investment properties; (iv) the entire equity interest of the Company's subsidiaries, Dong Gang, Runqi Property, Yu Ying; (v) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; (vi) the guarantees executed by the executive Directors, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi; (vii) 320,000,000 Shares owned by Rong De; and (viii) 681,240,000 shares in Silver Grant owned by the Company. The secured other borrowings comprised (1) a loan in the principal amount of RMB2,550 million repayable by instalments within 5 years with the last instalment due in December 2022; (2) a loan in the principal amount of RMB551 million due in November 2019; (3) a loan in the principal amount of RMB636 million due in April 2019; (4) a loan in the principal amount of RMB1,104.3 million repayable by instalments within 3 years with the last instalment due in July 2020; (5) a loan in the principal amount of RMB629.6 million repayable by instalments within 2 years with the last instalment due in January 2020; (6) a loan in the principal amount of RMB1,200 million due in July 2021; (7) a loan in the principal amount of RMB280 million repayable by instalments within 3 years with the last instalment due in January 2021; (8) a loan in the principal amount of RMB1,200 million due in July 2021; and (9) loans in the principal amounts of HK$550 million and HK$500 million due in October 2019.

(g) As at 31 December 2018, the Remaining Group had outstanding unsecured other borrowings of HK$220 million. The unsecured other borrowings comprised (1) a loan in the principal amount of HK$20 million due in March 2019; and (2) a loan in the principal amount of HK$200 million due in November 2019.

Issue of perpetual capital securities

On 29 October 2018, the Company issued perpetual capital securities ("**Perpetual Securities**") in the aggregate principal of HK$800,000,000 at a distribution rate of 6% per annum to Rong De (the controlling shareholder of the Company). The Perpetual Securities have no fixed redemption date and are redeemable at the option of the Company at any time and from time to time, whether in whole or in part, at any time after its issue. While distribution is payable by the Company every six months, the Company may, at its sole discretion, elect to defer, in whole or in part, any distribution (including any arrears of distribution) to the next distribution payment date. The proceeds from the issue of the Perpetual Securities were used for financing the corporate funding requirement of the Remaining Group.

Issue of subscription shares

On 26 November 2018, the Company entered into a subscription agreement ("**Subscription Agreement**") with Rong De (the controlling shareholder of the Company), pursuant to which the Company has conditionally agreed to allot and issue, and Rong De has conditionally agreed to subscribe for, 770,000,000 Subscription Shares at the Subscription Price of HK$1.30 per Subscription Share. The Subscription Price represents: (i) a discount of approximately 6.5% over the closing price of HK$1.39 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 7.8% over the average closing price of HK$1.41 per Share for the last five consecutive trading days up to and including the Last Trading Day; (iii) a discount of approximately 9.1% over the average closing price of HK$1.43 per Share for the last 10 consecutive trading days up to and including the Last Trading Day; and (iv) a premium of approximately 60.5% over the audited net asset value per Share of the Company of approximately HK$0.81 as at 31 December 2017.

Completion of the Subscription was conditional upon the following conditions precedent:

(i) the passing of the resolution(s) at the special general meeting of the Company by the independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including the granting of the specific mandate for the allotment and issue of the Subscription Shares to the Directors;

(ii) the holders of the 2016 Senior Notes and the 2017 Senior Notes having provided their written consent to the Subscription Agreement;

(iii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in all of the Subscription Shares; and

(iv) in addition to conditions (ii) and (iii) above, the Company having obtained each necessary consent, permit, approval, registration, filing, notice, confirmation, authorisation or waiver (including but not limited to those provided by the Hong Kong Securities and Futures Commission, the Stock Exchange or any other third party (if applicable)) in relation to the Subscription Agreement and/or the transactions contemplated hereunder, and such consent, permit, approval, registration, filing, notice, confirmation, authorisation or waiver not having been revoked or withdrawn.

The Subscription represents a good opportunity for the Remaining Group to raise funds to strengthen its capital base and financial position and to support the development of its existing property development business which is a capital-intensive business.

After the conditions precedent as set out above had all been fulfilled, completion of the Subscription took place on 2 January 2019, upon which 770,000,000 Shares have been successfully subscribed by Rong De at the Subscription Price of HK$1.30 per Subscription Share. The total net proceeds of approximately HK$1,000.5 million received by the Company from the Subscription were intended to be used by the Group for repaying its bank and other borrowings.

FINANCIAL GUARANTEE CONTRACTS

The Remaining Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Remaining Group's properties as follows:

	31 December 2018 *HK$'000*	**31 December 2017** *HK$'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Remaining Group's properties	3,313,578	2,682,760

The Remaining Group has arranged bank financing for certain purchasers of the Remaining Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees would terminate upon the earlier of (i) the issuance of the real estate ownership certificate which would generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgage loan by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Remaining Group would be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Remaining Group would be entitled to take over the legal title and possession of the related properties.

FOREIGN EXCHANGE RATE

During FY2018, the Remaining Group conducted its business almost exclusively in RMB except that certain transactions were conducted in HK$ and US$. The conversion of RMB into HK$, US$ or other foreign currencies has been based on the rates set by the People's Bank of China. The value of RMB against HK$, US$ and other foreign currencies may fluctuate and is affected by factors such as changes in the PRC's political and economic conditions. During FY2018, the Remaining Group has not adopted any financial instruments for hedging purposes. However, the Remaining Group will constantly assess the foreign exchange risk it encounters so as to decide on the hedging policy required against the possible foreign exchange risk that may arise.

CAPITAL COMMITMENTS

As at 31 December 2018, the capital expenditures of the Remaining Group for FY2019 were expected to be settled by cash through its internal resources. Please refer to note 41 of the notes to the consolidated financial statements of the Company for FY2018 as set out in the Annual Report 2018 for the details of the capital and other commitments of the Remaining Group as at 31 December 2018.

EMPLOYEES AND REMUNERATION POLICIES

The Remaining Group had in aggregate 332 employees in Hong Kong and the PRC as at 31 December 2018 (31 December 2017: 248). During FY2018, the level of the Remaining Group's overall staff cost was approximately HK$103.9 million (FY2017: HK$67.6 million). The employees of the Remaining Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefits. The Directors' remuneration is determined based on their qualifications, experience, duties and responsibilities, the Company's remuneration policy and the prevailing market conditions.

The Remaining Group encourages sustainable training of its employees through coaching and further studies. In-house training was provided to eligible employees during FY2018, including training on updates of accounting standards and training on market updates.

The Remaining Group did not experience any significant problem with its employees or disruption to its operations due to labour discipline nor has it experienced any difficulty in the recruitment and retention of experienced staff in FY2018. The Remaining Group maintained a good relationship with its employees in FY2018. Most members of senior management have been working for the Remaining Group for many years.

BUSINESS REVIEW

In FY2018, the impacts of the national policies in the PRC on the real estate industry in cities across various tiers and the enforcement thereof have become increasingly convergent. During FY2018, the restrictive policies on mortgage and property purchase, with the imposition of restrictive conditions that were becoming more and more sophisticated, have continued to be strictly implemented. Frequent reviews have been carried out jointly by the relevant authorities, in particular the reviews over limitations on property pricing and home purchase eligibility, which have impacted property developers' on-site sales management and contracting in cities across various tiers in the country. Purchasers in the real estate market in the PRC have also become more prudent. In addition, due to the shortage of cash in the capital markets in the PRC, the property developers have sped up their turnover and the recovery of their capital by cutting property prices directly.

The Remaining Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects, primary land development, co-operation with real estate project companies and acquisition of real estate project companies. During FY2018, the Remaining Group entered into an agreement to acquire 100% of the equity interest of Guangzhou Zhuguang Property Company Limited* (廣州珠光置業有限公司) ("**Guangzhou Zhuguang Property**") at the consideration of RMB700 million (equivalent to approximately HK$830 million) (subject to adjustment). Guangzhou Zhuguang Property holds Hua Cheng Yujing Garden, a development project located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a GFA of approximately 109,113 sq.m.. Such acquisition was completed in July 2018, upon which Guangzhou Zhuguang Property became an indirect wholly-owned subsidiary of the Company.

During FY2018, the Remaining Group completed the acquisitions of approximately 29.56% interest of the issued share capital of Silver Grant, a company the shares of which are listed on the Main Board of the Stock Exchange with stock code: 0171, for the aggregate consideration of approximately HK$2,058,415,000, upon which Silver Grant became an associate of the Company.

Property Development and Sales

During FY2018, the Remaining Group continued its focus on the first-tier cities and key second-tier cities in the PRC with potential growth in demand, and achieved contracted sales of approximately HK$2,537,703,000 and contracted GFA sold of approximately 202,874 sq.m., representing a decrease of approximately 10.7% and 28.5% respectively as compared with those for FY2017.

* *For identification purpose only*

Land Bank

It is the Remaining Group's strategy to maintain a sufficient land bank and design accurate urban layout to support the Remaining Group's own development pipeline for at least the next three to five years. The Remaining Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects and acquisition of other property development projects. During FY2018, the Remaining Group has completed the acquisition of 100% equity interest of Guangzhou Zhuguang Property, thereby indirectly owning interests in Hua Cheng Yujing Garden, a development project located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a GFA of approximately 109,113 sq.m. available for development that belonged to the Remaining Group. Further details of this acquisition are set out below in paragraph (c) in the sub-section headed "MATERIAL ACQUISITIONS AND DISPOSALS" in the section headed "7. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP – FY2018" in this appendix.

Property Investments

As at 31 December 2018, the Remaining Group owned (1) certain floors of RM Hotel located at 518 Tianhe Road, Tianhe District, Guangzhou, the PRC with GFA of approximately 18,184 sq.m. (31 December 2017: 18,184 sq.m.); (2) Zhukong International with GFA of approximately 43,918 sq.m. (31 December 2017: 43,918 sq.m.); (3) certain floors of the commercial complex in Hua Cheng Yujing Garden with GFA of approximately 30,604 sq.m. (31 December 2017: Nil); and (4) certain commercial properties with GFA of approximately 14,310 sq.m. (31 December 2017: 6,029 sq.m.) as investment properties. During FY2018, RM Hotel, Zhukong International and the commercial properties were partly leased out with total rental income of approximately HK$164,690,000 generated, representing an increase of approximately 17.6% as compared to that of approximately HK$139,992,000 for FY2017. The existing investment properties held by the Remaining Group were intended to be held for medium-term to long-term investment purposes.

Project Management Services

During FY2018, the Remaining Group provided funding and project management services to its customers. The Remaining Group was entitled to project management services income based on the terms of the entrusted construction and management service agreements entered into with these customers and such income enables the Remaining Group to broaden its income source. The Remaining Group recorded project management services segment results of approximately HK$471,715,000 for FY2018, comparing to that of approximately HK$364,433,000 for FY2017.

Significant Investment

As at 31 December 2018, the Remaining Group's investment in an associate, Silver Grant, the shares of which are listed on the Main Board the Stock Exchange with stock code: 0171, was the only significant investment held by the Remaining Group which represented 5% or more of the Remaining Group's total assets. As at 31 December 2018, the Remaining Group held 681,240,022 ordinary shares of Silver Grant, representing 29.56% of the equity interest of Silver Grant, which were acquired by the Remaining Group for an aggregate cash consideration of approximately HK$2,058,415,000 during FY2018. The Silver Grant Group was principally engaged in property investment and trading of petrochemical products and provision of sub-contracting service during FY2018. As at 31 December 2018, the carrying amount of this investment was HK$2,080,210,000, representing approximately 5.81% of the total assets of the Remaining Group. During FY2018, the Remaining Group received no dividend income from this investment and recorded a share of loss from this investment of approximately HK$12,760,000. According to Silver Grant's annual report for FY2018, in order to expand its existing investments in petrochemical products production, the Silver Grant Group had commenced the merger and restructuring of its two operating entities in Taizhou in the PRC in the fourth quarter of 2018. It was anticipated that the completion of such merger and restructuring would enhance the production efficiency and effectiveness of the petrochemical products of the Silver Grant Group. The Remaining Group would continue to hold this investment as a long-term investment.

MATERIAL ACQUISITIONS AND DISPOSALS

During FY2018, the Remaining Group entered into the following contracts:

(a) On 29 March 2017, Xianghe Yijing, an indirect wholly-owned subsidiary of the Company, as purchaser ("**Xianghe Purchaser**"), Tong Dexin* (佟德新) and Tong Demin* (佟德珉), as vendors (collectively, the "**Xianghe Vendors**"), and Xianghe Jingang Real Estate Development Company Limited* (香河金港房地產開發有限公司), as target company ("**Xianghe Target**"), entered into an equity transfer agreement ("**Equity Transfer Agreement**"), which was amended and supplemented by (i) the supplemental agreement dated 29 December 2017 entered into among the Xianghe Purchaser, the Xianghe Vendors and the Xianghe Target; and (ii) the further supplemental agreement dated 9 March 2018 entered into among the Xianghe Purchaser, Langfang Xianghe Haojie Trading Company Limited* (廊坊香河豪捷貿易有限公司) ("**Langfang Xianghe**"), an indirect wholly-owned subsidiary of the Company, the Xianghe Vendors, the Xianghe Target and Guangdong Zhuguang Group (collectively, the "**Further Supplemental Agreements**"), in relation to the purchase and sale of the entire equity interest in the Xianghe Target at the aggregate consideration of RMB1,700,000,000 (equivalent to approximately HK$2,105,960,000) ("**Xianghe Acquisition**").

** For identification purpose only*

On 29 June 2018, a transfer agreement was entered into between the Xianghe Purchaser, Langfang Xianghe, the Xianghe Vendors, the Xianghe Target, Guangdong Zhuguang Group and Xianghe Runfa Property Development Company Limited* (香河潤發房地產開發有限公司) ("**Xianghe Runfa**"), to agree, among other things that, (i) the Xianghe Purchaser and Langfang Xianghe shall transfer all their rights and obligations under the Equity Transfer Agreement and the Further Supplemental Agreements (collectively, the "**Original Agreements**") to Xianghe Runfa for the consideration of RMB400,000,000 (being an amount equivalent to the deposit paid by the Xianghe Purchaser to the Xianghe Vendors pursuant to the Equity Transfer Agreement) ("**Xianghe Transfer**"); and (ii) following the Xianghe Transfer, the Xianghe Purchaser and Langfang Xianghe shall cease to have any rights and shall be discharged from all of their obligations and liabilities under the Original Agreements.

Further details of the Xianghe Acquisition and the Xianghe Transfer are set out in the announcements of the Company dated 29 March 2017, 3 April 2017, 24 April 2017, 11 May 2017, 26 June 2017, 29 August 2017, 29 December 2017, 31 January 2018, 12 March 2018 and 29 June 2018.

(b) On 23 June 2017, South Trend, a wholly-owned subsidiary of the Company, as purchaser, Quan Xing, as vendor, and Mr. Cheung, as guarantor ("**All Flourish Guarantor**"), entered into the All Flourish SPA, which was amended and supplemented by the supplemental agreements (collectively, the "**All Flourish Supplemental Agreements**") dated 28 March 2018, 2 August 2018 and 28 December 2018 entered into among South Trend, Quan Xing and the All Flourish Guarantor, in relation to the First All Flourish Acquisition. A special general meeting will be convened and held for the Shareholders to consider and, if thought fit, approve the All Flourish SPA (as amended and supplemented by the All Flourish Supplemental Agreements) and the transactions contemplated thereunder. Upon completion of the First All Flourish Acquisition which is subject to the satisfaction of the conditions precedent (including the approval of the Shareholders having been obtained), All Flourish will become an indirect wholly-owned subsidiary of the Company.

Further details of the First All Flourish Acquisition are set out in the announcements of the Company dated 23 June 2017, 27 October 2017, 14 February 2018, 28 March 2018, 29 June 2018, 2 August 2018, 31 October 2018 and 28 December 2018.

(c) On 24 June 2018, Guangzhou Yude Investment Company Limited* (廣州御德投資有限公司) ("**Guangzhou Yude**"), a wholly-owned subsidiary of the Company, as purchaser, and Guangdong Zhuguang Group, as vendor, entered into an agreement ("**GD Zhuguang SP Agreement**") in relation to the acquisition ("**GD Zhuguang Acquisition**") of 100% of the equity interest ("**GD Sale Interest**") of Guangzhou Zhuguang Property. Pursuant to the GD Zhuguang SP Agreement, Guangzhou Yude has conditionally agreed to purchase, and Guangdong Zhuguang Group has conditionally agreed to sell, the GD Sale Interest at the consideration of RMB700 million (equivalent to approximately HK$830 million) (subject to adjustment).

* *For identification purpose only*

Guangzhou Zhuguang Property holds 100% of the equity interests of Guangzhou Shunji Industry Company Limited* (廣州舜吉實業有限公司) ("**Guangzhou Shunji**"), and Guangzhou Shunji holds interests in Hua Cheng Yujing Garden ("**Development**"), a development project which is located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC.

The Development which comprises a composite development (residential/commercial) of 13 blocks of residential and commercial buildings, with ancillary facilities and car parks thereon, constructed or to be constructed on three parcels of land with a total site area of approximately 60,237 sq.m. and GFA of approximately 433,015 sq.m., is scheduled to be completed in about December 2020. Out of the GFA of approximately 109,113 sq.m. of the Development that will belong to Guangzhou Shunji upon completion of the GD Zhuguang Acquisition, GFA of approximately 48,044 sq.m. is attributable to a commercial and residential complex which comprises carparks, residential buildings, shopping malls and office premises developed on one of the three pieces of land of the Development, and GFA of approximately 61,069 sq.m. is attributable to a commercial complex which comprises shopping malls and office premises to be developed on another piece of land of the Development.

The GD Zhuguang Acquisition was completed in July 2018, upon which Guangzhou Zhuguang Property became an indirect wholly-owned subsidiary of the Company. For details of the GD Zhuguang Acquisition, please refer to the Company's announcement dated 24 June 2018.

(d) On 29 June 2018, the Company, as purchaser, and CGNPC International Limited (中廣核國際有限公司), as vendor ("**Vendor A**"), entered into a sale and purchase agreement ("**SPA A**") (as amended and supplemented by the supplemental agreement dated 26 September 2018 entered into between the Company and Vendor A), pursuant to which the Company (or any of its subsidiary) conditionally agreed to acquire, and Vendor A conditionally agreed to sell, the legal and beneficial interests in 364,140,000 ordinary shares in the issued share capital of Silver Grant ("**Silver Grant Shares**"), representing approximately 15.80% of the total issued share capital of Silver Grant as at 29 June 2018, for a consideration of HK$1,121,551,200 ("**SG Acquisition A**").

On 29 June 2018, the Company, as purchaser, Silver Grant Group Limited (銀建集團有限公司), as vendor ("**Vendor B**"), and Gao Jian Min* (高建民), as guarantor for Vendor B ("**Vendor B Guarantor**") entered into a sale and purchase agreement ("**SPA B**") (as amended and supplemented by the supplemental agreement dated 26 September 2018 entered into between the Company, Vendor B and Vendor B Guarantor), pursuant to which the Company (or any of its subsidiary) conditionally agreed to acquire, and Vendor B conditionally agreed to sell, the legal and beneficial interests in 291,220,022 Silver Grant Shares, representing approximately 12.64% of the total issued share capital of Silver Grant as at 29 June 2018, for a consideration of HK$896,957,668 ("**SG Acquisition B**", together with SG Acquisition A, collectively the "**SG Acquisitions**").

** For identification purpose only*

Silver Grant is a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange with stock code: 0171. As at 29 June 2018, Silver Grant and its subsidiaries were principally engaged in investment holding, property leasing and production and trading of petrochemical products and provision of sub-contracting service.

The SG Acquisitions were completed on 31 October 2018. After completion of the SG Acquisitions and the acquisition of 25,880,000 Silver Grant Shares by the Company subsequent to its entering into of SPA A and SPA B, the Company became the single largest shareholder of Silver Grant holding interest in 681,240,022 Silver Grant Shares, representing approximately 29.56% of the total issued share capital of Silver Grant. Details of the SG Acquisitions are set out in the announcements of the Company dated 29 June 2018, 31 July 2018, 26 September 2018, 31 October 2018 and the circular of the Company dated 19 September 2018.

(e) On 25 December 2018, Guangzhou Zhuguang Property, a wholly-owned subsidiary of the Company, as purchaser, and 廣州秀苑房地產有限公司 (Guangzhou Xiu Yuan Property Company Limited*), as vendor ("**Xiu Yuan**"), entered into a sale and purchase agreement ("**Yu Ying SPA**") in relation to the acquisition ("**Yu Ying Acquisition**") of the registered capital of RMB48 million ("**Yu Ying Sale Interest**") of 廣州御盈房地產有限公司 (Guangzhou Yu Ying Property Company Limited*) ("**Yu Ying**"). Pursuant to the Yu Ying SPA, Guangzhou Zhuguang Property agreed to purchase, and Xiu Yuan agreed to sell, the Yu Ying Sale Interest, which represents 30% of the equity interest of Yu Ying at the consideration of RMB240 million (equivalent to approximately HK$270 million).

Immediately before the completion of the Yu Ying Acquisition, Yu Ying was a non-wholly owned subsidiary of the Company of which 70% of its equity interest was owned by the Remaining Group and the remaining 30% of its equity interest was owned by Xiu Yuan. The Yu Ying Acquisition was completed on 26 December 2018, upon which Yu Ying became an indirect wholly-owned subsidiary of the Company. For details of the Yu Ying Acquisition, please refer to the Company's announcement dated 27 December 2018.

** For identification purpose only*

FY2017

FINANCIAL REVIEW

Revenue

For FY2017, the Remaining Group's revenue included revenue from property sales, rental income and project management services income. The total revenue of the Remaining Group for FY2017 was approximately HK$2,766,510,000 (2016: HK$1,908,153,000), which represents a 45% increase as compared with that for the financial year ended 31 December 2016 ("**FY2016**"). Revenue from sale of properties for FY2017 amounted to approximately HK$2,262,085,000 (2016: HK$1,401,812,000), representing a 61% increase as compared with that of FY2016. The Remaining Group recorded an increase of 38% in rental income for FY2017, as compared with that for FY2016. The rental income increased from approximately HK$101,720,000 for FY2016 to approximately HK$139,992,000 for FY2017, mainly due to the additional GFA of investment properties leased out by the Remaining Group during FY2017. The total GFA leased out by the Remaining Group was approximately 61,530 sq.m. for 2017 (2016: 58,139 sq.m.), which represented a 6% increase as compared with that of FY2016. The income from project management services contributed approximately HK$364,433,000 (2016: HK$383,203,000) to the total revenue of the Remaining Group for FY2017, being a new income stream developed by the Remaining Group since 2014.

Gross profit and margin

For FY2017, the Remaining Group recorded a gross profit of approximately HK$1,018,289,000 (2016: HK$669,658,000). The Remaining Group's gross profit on the property development segment amounted to approximately HK$515,100,000 (2016: HK$182,878,000), representing a 182% increase as compared with that of FY2016. The increase was mainly due to both GFA and average selling price of the properties delivered during FY2017 being higher than those of the properties delivered during FY2016.

Investment and other income

For FY2017, the Remaining Group's investment and other income decreased to approximately HK$111,616,000 (2016: HK$155,539,000), which was mainly due to the decrease in interest income earned from financial products held by the Remaining Group and other receivables of the Remaining Group as compared to that for FY2016.

Fair value gain on investment properties, net

For FY2017, the fair value gains on investment properties, net recorded by the Remaining Group amounted to approximately HK$43,100,000 (2016: HK$309,337,000), representing a 86% decrease as compared to that of FY2016. As the real estate market in the PRC was more steady for FY2017, the investment properties held by the Remaining Group did not record much capital appreciation during FY2017.

Other gains, net

Other gains, net increased from gains of approximately HK$125,989,000 for FY2016 to gains of approximately of HK$253,238,000 for FY2017, which was mainly attributable to the substantial increase in exchange gains due to appreciation in RMB during FY2017.

Administrative expenses and selling and marketing costs

Administrative expenses and selling and marketing costs of the Remaining Group increased from approximately HK$214,963,000 for FY2016 to approximately HK$218,620,000 for FY2017. It was primarily due to the increase in marketing cost to promote the sales of the Remaining Group, which was offset by the cost control measures implemented by the Remaining Group during FY2017.

Finance costs, net

Finance costs, net for FY2017 were approximately HK$939,346,000 (2016: HK$798,796,000), which were made up of interest expenses incurred during FY2017 after deduction of the interest expenses capitalised to development costs. The increase in finance costs, net was mainly due to (i) the decrease of the interest capitalised from approximately HK$281,913,000 for FY2016 to approximately HK$97,498,000 for FY2017 because of completion of certain projects; and (ii) the increase in borrowings of the Remaining Group during FY2017.

Income tax expense

Income tax expenses comprised CIT and LAT in the PRC. CIT of approximately HK$169,854,000 (2016: HK$273,092,000) and LAT of approximately HK$67,859,000 (2016: HK$153,104,000) brought about the Remaining Group's total income tax of approximately HK$237,713,000 for FY2017 (2016: HK$426,196,000). The decrease in total income tax expenses for FY2017 was mainly due to the fair value gain of investment properties being less than that of FY2016, which reduced the corresponding deferred income tax in the CIT and LAT provision made for FY2017.

Treasury and funding policies

The Remaining Group has adopted a prudent approach with respect to its treasury and funding policies. During FY2017, the Remaining Group's financial and fundraising activities were subject to effective centralised management and supervision, with an emphasis on risk management and transactions that were directly related to the business of the Remaining Group.

Cash position

As at 31 December 2017, the Remaining Group's bank and cash balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK$4,575,317,000 (31 December 2016: HK$4,999,639,000). The cash and cash equivalents of the Remaining Group were mainly denominated in RMB, US$ and HK$.

Borrowings, charges on group assets and gearing ratio

The Remaining Group's bank and other borrowings comprised the following:

	31 December 2017	**31 December 2016**
	HK$'000	*HK$'000*
Bank loans — secured	1,261,612	317,231
Senior notes — secured	3,477,499	3,013,591
Other borrowings — secured	6,423,192	4,453,564
	11,162,303	7,784,386

(a) As at 31 December 2017, the bank and other borrowings were secured by (i) charges over investment properties; (ii) charges over land use rights; (iii) charges over properties under development; (iv) charges over completed properties held for sale; (v) charges over the entire issued share capital of certain subsidiaries of the Remaining Group; (vi) corporate guarantees executed by the Company, certain subsidiaries, related parties and the controlling shareholder of the Company; (vii) guarantees executed by the Directors, namely Mr. Liao Tengjia, Mr. Chu Hing Tsung (alias Zhu Qing Yi) and Mr. Chu Muk Chi (alias Zhu La Yi); (viii) charges over 3,121,112,000 ordinary shares of the Company beneficially owned by the controlling shareholder of the Company; and (ix) charges over the assets provided by Xianghe Zhuguang Property Development Company Limited* (香河珠光房地產開發有限公司).

(b) The gearing ratio of the Remaining Group is measured by the net debt (total interest-bearing borrowings net of cash and cash equivalents, terms deposits with initial terms of over three months and restricted cash) over the total capital of the Remaining Group. As at 31 December 2017, the gearing ratio of the Remaining Group was 56% (2016: 37%).

* *For identification purpose only*

(c) As at 31 December 2017, total borrowings were made up of financing from (i) bank loans; (ii) senior notes; and (iii) other borrowings including trust loans. The senior notes and other borrowings carried fixed interest rates and the bank loans carried fixed and floating interest rates. The Remaining Group had bank credit facilities which had been fully utilised as at 31 December 2017. The Remaining Group has uncommitted credit facilities provided by banks and other financial institutions when a new project is acquired by the Remaining Group and certain conditions are met.

FINANCIAL GUARANTEE CONTRACTS

The Remaining Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Remaining Group's properties as follows:

	31 December 2017	**31 December 2016**
	HK$'000	*HK$'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Remaining Group's properties	2,682,760	1,760,359

The Remaining Group has arranged bank financing for certain purchasers of the Remaining Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees would terminate upon the earlier of (i) the issuance of the real estate ownership certificate which would generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgage loan by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Remaining Group would be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Remaining Group would be entitled to take over the legal title and possession of the related properties. The Remaining Group's guarantee period started from the dates of grant of the mortgages. The Directors were of the view that the fair value of the financial guarantees was not significant.

CAPITAL COMMITMENTS

As at 31 December 2017, the capital expenditures of the Remaining Group for FY2018 were expected to be settled by cash through its internal resources. Please refer to note 35 of the notes to the consolidated financial statements of the Company for FY2017 as set out in the Annual Report 2017 for the details of the capital and other commitments of the Remaining Group as at 31 December 2017.

FOREIGN EXCHANGE RATE

During FY2017, the Remaining Group conducted its business almost exclusively in RMB except that certain transactions were in HK$ and US$. The conversion of RMB into HK$, US$ or other foreign currencies has been based on the rates set by the People's Bank of China. The value of RMB against the HK$, US$ and other foreign currencies may fluctuate and is affected by factors such as changes in the PRC's political and economic conditions. During FY2017, the Remaining Group has not adopted any financial instruments for hedging purposes. However, the Remaining Group will constantly assess the foreign exchange risk it encounters so as to decide on the hedging policy required against the possible foreign exchange risk that may arise.

EMPLOYEES AND REMUNERATION POLICIES

The Remaining Group had in aggregate 248 employees in Hong Kong and the PRC as at 31 December 2017 (31 December 2016: 176). The employees of the Remaining Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefit. The Directors' remuneration is determined based on their qualifications, experience, duties and responsibilities, the Company's remuneration policy and the prevailing market conditions.

The Remaining Group encourages sustainable training by its employees through coaching and further studies. In-house training was provided to eligible employees during FY2017, including training on "Development of Niche Town Business Model", training on updates of accounting standards and training on market updates.

The Remaining Group did not experience any significant problem with its employees or disruption to its operations due to labour discipline nor has it experienced any difficulty in the recruitment and retention of experienced staff in FY2017. The Remaining Group maintained a good relationship with its employees in FY2017. Most members of senior management have been working for the Remaining Group for many years.

BUSINESS REVIEW

During FY2017, the economy in the PRC has generally maintained a stable growth while showing positive signs of development. Economic vitality, momentum and potential have constantly been released with remarkable growth in stability, coordination and sustainability. The GDP of the PRC has increased by 6.9% year-on-year, reaching medium-to-high growth for FY2017.

The real estate industry in the PRC has also gradually entered into a new stage of steady development. In order to continuously regulate and actively guide the development of the real estate industry, the PRC government has heightened its control policies by increasing the supply of real estate, optimising the supply structure and adopting the policy to cut excess urban real estate inventory (因城施策去庫存) to strengthen the regulation of the real estate market, so as to prevent significant volatilities from arising in the real estate market due to excessive speculation. Meanwhile, the PRC government has implemented closely-linked short-term controls and a long-term mechanism in the real estate market. A stable long-term mechanism has been established to drive the development of the real estate industry in order to promote the sustainable, stable and healthy development of the real estate market.

According to the data from the National Bureau of Statistics, the sales areas and amount of commercial housing in the PRC continued to rise in FY2017. During FY2017, the sales areas of commercial housing nationwide amounted to 1,694.08 million sq.m., representing a year-on-year growth of 7.7%, and the sales amount of commercial housing nationwide amounted to RMB13.3701 trillion, representing a year-on-year growth of 13.7%. Meanwhile, the areas of commodity housing pending for sale continued to decrease. As of the end of FY2017, the areas of commodity housing pending for sale nationwide amounted to 589.23 million sq.m., representing a year-on-year decrease of 15.3%. This showed that the real estate industry in the PRC had becoming increasingly healthy and the destocking policy had made great progress.

Property Development and Sales

During FY2017, the Remaining Group continued its focus on the first-tier cities and key second-tier cities in the PRC with potential growth in demand, and achieved contracted sales of approximately HK$2,915,212,000 and contracted GFA sold of approximately 284,965 sq.m., representing an increase of approximately 16% and 14% respectively as compared with those for FY2016.

Land Bank

The Remaining Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Remaining Group's own development pipeline for at least three to five years. The Remaining Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects and acquisitions of other property development projects. During FY2017, the Remaining Group has completed a land acquisition in Conghua with GFA of approximately 73,942 sq.m. available for development, and entered into two acquisitions (further details of which are set out in paragraphs (b) and (c) in the sub-section headed "MATERIAL ACQUISITIONS AND DISPOSALS" in the section headed "7. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP – FY2017" in this appendix) which were yet to be completed as at 31 December 2017, where the land involved for one of these acquisitions was located in Guangzhou and that for the other was located in Xianghe, Hebei which site areas were approximately 107,400 sq.m. and 89,878 sq.m. respectively. As at the date of the Annual Report 2017, the Remaining Group has entered into certain non-legally binding memoranda of understanding to acquire lands located in Guangzhou, Shenzhen and certain second-tier cities in the PRC.

Property Investments

As at the date of the Annual Report 2017, the Remaining Group owned certain floors of RM Hotel located at 518 Tianhe Road, Tianhe District, Guangzhou, the PRC with GFA of approximately 18,184 sq.m., Zhukong International with GFA of approximately 43,918 sq.m. and certain commercial properties with GFA of approximately 6,029 sq.m. as investment properties. During FY2017, the RM Hotel, Zhukong International and commercial properties were partly leased out with total rental income of approximately HK$139,992,000 generated for FY2017 (2016: HK$101,720,000), which represented an increase of 38% as compared with that for FY2016. The existing investment properties held by the Remaining Group were intended to be held for medium-term to long-term investment purposes.

Project Management Services

During FY2017, the Remaining Group provided funding and project management services to its customers. The Remaining Group was entitled to project management services income based on the terms of the entrusted construction and management service agreements entered into with these customers and such income enabled the Remaining Group to broaden its revenue source. For FY2017, the Remaining Group recognised project management services income of approximately HK$364,433,000 (2016: approximately HK$383,203,000).

MATERIAL ACQUISITIONS AND DISPOSALS

During FY2017, the Remaining Group entered into the following contracts:

(a) On 3 January 2017, Victory Global, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with two independent third parties, pursuant to which Victory Global has agreed to acquire 100% equity interest in Guangzhou Zhenchao Property Development Company Limited* (廣州振超房地產開發有限公司) ("**GZ Zhenchao**"), at a total consideration of RMB55,000,000 (equivalent to approximately HK$66,472,000) ("**GZ Zhenchao Acquisition**"). The GZ Zhenchao Acquisition was completed on 18 January 2017, upon which GZ Zhenchao became a wholly-owned subsidiary of the Company. GZ Zhenchao is principally engaged in property development in the PRC.

(b) On 29 March 2017, Xianghe Purchaser, an indirect wholly-owned subsidiary of the Company, as purchaser, Tong Dexin* (佟德新) and Tong Demin* (佟德珉), as vendors (collectively, the "**Xianghe Vendors**"), and Xianghe Target, as target company, entered into the Equity Transfer Agreement, which was amended and supplemented by (i) the supplemental agreement dated 29 December 2017 entered into among the Xianghe Purchaser, the Xianghe Vendors and the Xianghe Target; and (ii) the further supplemental agreement dated 9 March 2018 entered into among the Xianghe Purchaser, Langfang Xianghe, an indirect wholly-owned subsidiary of the Company, the Xianghe Vendors, the Xianghe Target and Guangdong Zhuguang Group, in relation to the purchase and sale of the entire equity interest in Xianghe Target at the aggregate consideration of RMB1,700,000,000 (equivalent to approximately HK$2,105,960,000) ("**Xianghe Acquisition**"). Upon completion of the Xianghe Acquisition which is subject to the satisfaction of the conditions precedent (including the approval of the Shareholders having been obtained), Xianghe Target will become an indirect wholly-owned subsidiary of the Company. Further details of the Xianghe Acquisition are set out in the announcements of the Company dated 29 March 2017, 3 April 2017, 24 April 2017, 11 May 2017, 26 June 2017, 29 August 2017, 29 December 2017, 31 January 2018 and 12 March 2018.

** For identification purpose only*

(c) On 23 June 2017, South Trend, a wholly-owned subsidiary of the Company, as purchaser, Quan Xing, as vendor, and Mr. Cheung, as guarantor (“**All Flourish Guarantor**”), entered into a sale and purchase agreement (“**All Flourish SPA**”), which was amended and supplemented by the supplemental agreement dated 28 March 2018 entered into among South Trend, Quan Xing and the All Flourish Guarantor, in relation to the First All Flourish Acquisition. Upon completion of the First All Flourish Acquisition which is subject to the satisfaction of the conditions precedent (including the approval of the Shareholders having been obtained), All Flourish will become an indirect wholly-owned subsidiary of the Company. Further details of the First All Flourish Acquisition are set out in the announcements of the Company dated 23 June 2017, 27 October 2017, 14 February 2018 and 28 March 2018.

UNAUDITED FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are the unaudited statements of financial position of the Target Company as at 31 December 2018 and 2019, and the unaudited statements of profit or loss, the unaudited statements of comprehensive income, the unaudited statements of changes in equity and the unaudited statements of cash flows of the Target Company for the period from 16 August 2018 (date of incorporation) to 31 December 2018 and for the year ended 31 December 2019 and explanatory notes (the "**Unaudited Financial Information**").

The Unaudited Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules and the basis of preparation as set out in note 2 to the Unaudited Financial Information and is prepared by the Directors solely for the purposes of inclusion in this circular in connection with the Disposal.

Ernst & Young, Certified Public Accountants, the auditor of the Company, was engaged to review the Unaudited Financial Information set out on pages II-2 to II-7 of this circular in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion.

Based on the review, nothing has come to the auditor's attention that causes them to believe that the Unaudited Financial Information is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information.

UNAUDITED STATEMENTS OF PROFIT OR LOSS

Period from 16 August 2018 (date of incorporation) to 31 December 2018 and year ended 31 December 2019

	Unaudited	
	Year ended 31 December 2019	**Period from 16 August 2018 (date of incorporation) to 31 December 2018**
	HK$'000	*HK$'000*
Other income and gains	2	—
Administrative expenses	(11)	(3)
Other expenses	(45,958)	(13,280)
LOSS FROM OPERATIONS	(45,967)	(13,283)
Finance costs	(61,375)	—
LOSS FOR THE YEAR/PERIOD	(107,342)	(13,283)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

Period from 16 August 2018 (date of incorporation) to 31 December 2018 and year ended 31 December 2019

	Unaudited	
	Year ended 31 December 2019	**Period from 16 August 2018 (date of incorporation) to 31 December 2018**
	HK$'000	*HK$'000*
LOSS FOR THE YEAR/PERIOD	(107,342)	(13,283)
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation to presentation currency	2,218	472
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD	(105,124)	(12,811)

UNAUDITED STATEMENTS OF FINANCIAL POSITION
31 December 2018 and 2019

	Unaudited	
	2019	**2018**
	HK$'000	*HK$'000*
CURRENT ASSETS		
Due from fellow subsidiaries	669,832	—
Other receivables	2,766,616	511,840
Cash and cash equivalents	20	12
Total current assets	3,436,468	511,852
CURRENT LIABILITIES		
Due to fellow subsidiaries	2,879,214	524,663
Interest-bearing other borrowings	2,457	—
Total current liabilities	2,881,671	524,663
NET CURRENT ASSETS/(LIABILITIES)	554,797	(12,811)
NON-CURRENT LIABILITIES		
Interest-bearing other borrowings	672,732	—
Net liabilities	(117,935)	(12,811)
DEFICIENCY IN ASSETS		
Share capital	—	—
Reserves	(117,935)	(12,811)
Total deficiency in assets	(117,935)	(12,811)

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

Period from 16 August 2018 (date of incorporation) to 31 December 2018 and year ended 31 December 2019

	Share capital	Exchange fluctuation reserve	Accumulated losses	Total deficiency in assets
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(Unaudited)				
As at 16 August 2018 (date of incorporation)	—	—	—	—
Loss for the period	—	—	(13,283)	(13,283)
Other comprehensive income for the period:				
Exchange differences arising on translation to presentation currency	—	472	—	472
Total comprehensive income/(loss) for the period	—	472	(13,283)	(12,811)
At 31 December 2018 and 1 January 2019	—	472	(13,283)	(12,811)
Loss for the year	—	—	(107,342)	(107,342)
Other comprehensive income for the year:				
Exchange differences arising on translation to presentation currency	—	2,218	—	2,218
Total comprehensive income/(loss) for the year	—	2,218	(107,342)	(105,124)
At 31 December 2019	—	2,690	(120,625)	(117,935)

UNAUDITED STATEMENTS OF CASH FLOWS

Period from 16 August 2018 (date of incorporation) to 31 December 2018 and year ended 31 December 2019

	Unaudited Year ended 31 December 2019 HK$'000	Unaudited Period from 16 August 2018 (date of incorporation) to 31 December 2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(107,342)	(13,283)
Adjustments for:		
Finance costs	61,375	—
Interest income	(2)	—
Impairment of financial assets	45,958	13,280
Cash used in operations	(11)	(3)
Interest paid	(55,897)	—
Net cash flows used in operating activities	(55,908)	(3)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in other receivables	(2,353,590)	(543,973)
Advances to fellow subsidiaries	(682,151)	—
Interest received	2	—
Net cash flows used in investing activities	(3,035,739)	(543,973)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from other borrowings	676,650	—
Advances from fellow subsidiaries	2,409,528	524,664
Net cash flows from financing activities	3,086,178	524,664
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,469)	(19,312)
Cash and cash equivalents at beginning of year/period	12	—
Effect of foreign exchange rate changes, net	5,477	19,324
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	20	12
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	20	12

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

Period from 16 August 2018 (date of incorporation) to 31 December 2018 and year ended 31 December 2019

1. GENERAL

The Target Company is a limited liability company incorporated in the PRC and is principally engaged in the provision of business services in the PRC.

2. BASIS OF PREPARATION AND PRESENTATION OF THE UNAUDITED FINANCIAL INFORMATION

The Unaudited Financial Information of the Target Company for the period from 16 August 2018 (date of incorporation) to 31 December 2018 and for the year ended 31 December 2019 has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules, and solely for the purposes of inclusion in the circular issued by the Company in connection with the Disposal.

The amounts included in the Unaudited Financial Information of the Target Company have been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the preparation of the consolidated financial statements of the Company and its subsidiaries for the relevant years, which conform with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. The Unaudited Financial Information of the Target Company has been prepared under the historical cost convention and is presented in Hong Kong dollar. All values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

The Unaudited Financial Information of the Target Company does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 *Presentation of Financial Statements* nor a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the HKICPA, and that it should be read in conjunction with the published annual consolidated financial statements of the Company for the years ended 31 December 2018 and 2019.

Going concern

As at 31 December 2019, the Target Company had net liabilities of approximately HK$117,935,000. The Company has undertaken to provide continuing financial support and the Purchaser will provide such financial support after completion of the Disposal in order to maintain the Target Company as a going concern. Accordingly, the Unaudited Financial Information of the Target Company has been prepared on the going concern basis.

(A) UNAUDITED PRO FORMA INFORMATION OF THE REMAINING GROUP

The following is a summary of the illustrative unaudited pro forma consolidated statement of financial position as at 31 December 2019, unaudited pro forma consolidated statement of profit or loss and unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019 of the Group excluding the Target Company upon the completion of the Disposal (hereinafter referred to as the "**Remaining Group**") (the "**Unaudited Pro Forma Financial Information"**) which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Disposal (i) as if the Disposal had been completed on 31 December 2019 for the unaudited pro forma consolidated statement of financial position; and (ii) as if the Disposal had been completed on 1 January 2019 for the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2019 as extracted from the published Annual Report 2019 after making pro forma adjustments relating to the Disposal that are factually supportable and directly attributable to the Disposal as set out below.

The unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2019 as extracted from the published Annual Report 2019 after making pro forma adjustments relating to the Disposal that are factually supportable and directly attributable to the Disposal as set out below.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with paragraph 4.29 of Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group as at 31 December 2019 or at any future date, or the financial performance and cash flows of the Remaining Group for the year ended 31 December 2019 or for any future period.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published Annual Report 2019 and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

As at 31 December 2019

	The Group as at 31 December 2019	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Unaudited Pro Forma of the Remaining Group after the completion of the Disposal
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS							
Property and equipment	348,513	—	—	—	—	—	348,513
Investment properties	4,709,808	—	—	—	—	—	4,709,808
Intangible assets	11,583	—	—	—	—	—	11,583
Goodwill	207,571	—	—	—	—	—	207,571
Investment in a joint venture	2,739	—	—	—	—	—	2,739
Investment in an associate	2,182,785	—	—	—	—	—	2,182,785
Prepayments, deposits and other assets	7,884,171	—	—	—	738,075	—	8,622,246
Financial assets at fair value through profit or loss	1,654,097	—	—	—	—	—	1,654,097
Deferred tax assets	82,736	—	—	—	—	(15,363)	67,373
Total non-current assets	17,084,003	—	—	—	738,075	(15,363)	17,806,715
CURRENT ASSETS							
Properties under development	1,704,873	—	—	—	—	—	1,704,873
Completed properties held for sale	5,011,693	—	—	—	—	—	5,011,693
Trade and other receivables	1,581,007	—	—	—	—	—	1,581,007
Prepayments, deposits and other assets	4,086,657	(2,032,601)	(557,234)	(338,730)	—	9,486	1,167,578
Prepaid income tax	200,644	—	—	—	—	—	200,644
Financial assets at fair value through profit or loss	2,284,993	—	—	—	—	—	2,284,993
Restricted cash	994,217	—	—	—	—	—	994,217
Term deposits with initial terms of over three months	2,541,890	—	—	—	—	—	2,541,890
Cash and cash equivalents	353,708	2,032,601	(20)	—	1,665,300	—	4,051,589
Total current assets	18,759,682	—	(557,254)	(338,730)	1,665,300	9,486	19,538,484
CURRENT LIABILITIES							
Contract liabilities	2,573,047	—	—	—	—	—	2,573,047
Trade and other payables	3,392,904	—	—	—	4,000	—	3,396,904
Interest-bearing bank and other borrowings	4,037,192	—	(2,457)	—	—	—	4,034,735
Amounts due to the ultimate holding company	351,550	—	—	—	—	—	351,550
Current income tax payables	2,125,764	—	—	—	240,338	—	2,366,102
Derivative financial instruments	40,134	—	—	—	—	—	40,134
Total current liabilities	12,520,591	—	(2,457)	—	244,338	—	12,762,472
NET CURRENT ASSETS	6,239,091	—	(554,797)	(338,730)	1,420,962	9,486	6,776,012

	The Group as at 31 December 2019	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Unaudited Pro Forma of the Remaining Group after the completion of the Disposal
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	23,323,094	—	(554,797)	(338,730)	2,159,037	(5,877)	24,582,727
NON-CURRENT LIABILITIES							
Other payables	33,239	—	—	—	—	—	33,239
Interest-bearing bank and other borrowings	14,168,825	—	(672,732)	—	—	—	13,496,093
Deferred tax liabilities	1,556,936	—	—	—	—	—	1,556,936
Total non-current liabilities	15,759,000	—	(672,732)	—	—	—	15,086,268
Net assets	7,564,094	—	117,935	(338,730)	2,159,037	(5,877)	9,496,459
EQUITY							
Equity attributable to equity holders of the parent							
Share capital	719,442	—	—	—	—	—	719,442
Perpetual capital securities	856,416	—	—	—	—	—	856,416
Reserves	5,889,716	—	115,702	(338,730)	2,159,037	(5,877)	7,819,848
	7,465,574	—	115,702	(338,730)	2,159,037	(5,877)	9,395,706
Non-controlling interests	98,520	—	2,233	—	—	—	100,753
Total equity	7,564,094	—	117,935	(338,730)	2,159,037	(5,877)	9,496,459

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE REMAINING GROUP

For the year ended 31 December 2019

	The Group	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Unaudited Pro Forma of the Remaining Group after the completion of the Disposal
	(Note 7)	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	4,074,814	—	(325,434)	—	—	3,749,380
Cost of sales	(1,987,553)	—	—	—	—	(1,987,553)
Gross profit	2,087,261	—	(325,434)	—	—	1,761,827
Fair value gain on investment properties, net	384,868	—	—	—	—	384,868
Other income and gains	435,979	(2)	—	—	—	435,977
Selling and marketing expenses	(90,882)	—	—	—	—	(90,882)
Administrative expenses	(302,536)	11	2,343	—	—	(300,182)
Other expenses	(473,273)	45,958	14,755	—	—	(412,560)
Change in fair value of financial assets at fair value through profit or loss	662,507	—	—	—	—	662,507
Share of profit of an associate	144,797	—	—	—	—	144,797
Gain on disposal	—	—	—	2,412,186	—	2,412,186
PROFIT FROM OPERATIONS	2,848,721	45,967	(308,336)	2,412,186	—	4,998,538
Finance costs	(1,503,924)	61,375	—	—	—	(1,442,549)
PROFIT BEFORE TAX	1,344,797	107,342	(308,336)	2,412,186	—	3,555,989
Income tax expense	(625,300)	—	31,343	(240,338)	(14,414)	(848,709)
PROFIT FOR THE YEAR	719,497	107,342	(276,993)	2,171,848	(14,414)	2,707,280

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

For the year ended 31 December 2019

	The Group	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Unaudited Pro Forma of the Remaining Group after the completion of the Disposal
	(Note 7)	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 12)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	1,344,797	107,342	(308,336)	2,412,186	—	3,555,989
Adjustments for:						
Finance costs	1,503,924	(61,375)	—	—	—	1,442,549
Interest income	(351,264)	2	—	—	—	(351,262)
Depreciation of property and equipment	2,569	—	—	—	—	2,569
Depreciation of right-of-use assets	2,069	—	—	—	—	2,069
Amortisation	1,629	—	—	—	—	1,629
Fair value gain on derivative financial instruments, net	(29,137)	—	—	—	—	(29,137)
Impairment of financial assets	200,296	(45,958)	14,755	—	—	169,093
Share of profit of an associate	(144,797)	—	—	—	—	(144,797)
Fair value gain on investment properties, net	(384,868)	—	—	—	—	(384,868)
Change in fair value of financial assets at fair value through profit or loss	(662,507)	—	—	—	—	(662,507)
Gain on disposal	—	—	—	(2,412,186)	—	(2,412,186)
	1,482,711	11	(293,581)	—	—	1,189,141
Decrease in properties under development and completed properties held for sale	505,005	—	—	—	—	505,005
(Increase)/decrease in trade and other receivables	(1,397,961)	—	—	—	—	(1,397,961)
(Increase)/decrease in prepayment and other assets	(25,073)	—	314,489	—	—	289,416
Decrease in contract liabilities	(205,051)	—	—	—	—	(205,051)
Increase/(decrease) in trade and other payables	527	—	(21,474)	4,000	—	(16,947)
Increase in restricted cash	(22,865)	—	—	—	—	(22,865)
Cash from operations	337,293	11	(566)	4,000	—	340,738
Interest paid	(1,494,970)	55,897	—	—	—	(1,439,073)
Corporate income tax paid	(138,522)	—	—	—	—	(138,522)
Net cash flows (used in)/from operating activities	(1,296,199)	55,908	(566)	4,000	—	(1,236,857)

	The Group	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Unaudited Pro Forma of the Remaining Group after the completion of the Disposal
	(Note 7)	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 12)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Deposits paid for acquisition of equity interests in property development projects	(5,079,048)	2,353,590	—	—	(272,665)	(2,998,123)
Refund of deposits for acquisition of equity interests in property development projects	2,510,838	—	—	—	—	2,510,838
Repayment from related parties	160,781	—	—	—	—	160,781
(Advance to)/repayment from Target Company	—	(2,409,528)	—	—	2,409,528	—
Interest received	407,281	(2)	—	—	—	407,279
Purchases of items of property and equipment	(58,346)	—	—	—	—	(58,346)
Additions of intangible assets	(11,722)	—	—	—	—	(11,722)
Additions of investment properties	(244,287)	—	—	—	—	(244,287)
Decrease in financial assets at fair value through profit or loss	966,374	—	—	—	—	966,374
Decrease in term deposits with initial terms of over three months	2,982,127	—	—	—	—	2,982,127
Increase in restricted cash	(148,746)	—	—	—	—	(148,746)
Net proceeds from disposal of a subsidiary	—	—	—	1,661,300	626,736	2,288,036
Net cash flows from investing activities	1,485,252	(55,940)	—	1,661,300	2,763,599	5,854,211
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bank and other borrowings	4,456,370	(676,650)	—	—	—	3,779,720
Repayment of bank and other borrowings	(4,967,699)	—	—	—	—	(4,967,699)
Principal portion of lease payments/ repayment of finance lease payables	(772)	—	—	—	—	(772)
Repayment to related parties	(177,448)	—	—	—	—	(177,448)
Advance from/(repayment to) Target Company	—	682,151	—	—	(682,151)	—
Increase in amount due to the ultimate holding company	327,520	—	—	—	—	327,520
Net cash flows used in financing activities	(362,029)	5,501	—	—	(682,151)	(1,038,679)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(172,976)	5,469	(566)	1,665,300	2,081,448	3,578,675
Cash and cash equivalents at beginning of year	544,610	(12)	—	—	—	544,598
Effect of foreign exchange rate changes, net	(17,926)	(5,477)	566	—	(48,847)	(71,684)
CASH AND CASH EQUIVALENTS AT END OF YEAR	353,708	(20)	—	1,665,300	2,032,601	4,051,589

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP:

(1) Amounts are extracted from the consolidated statement of financial position of the Group set out in the Annual Report 2019.

(2) On 22 April 2020, (i) United Talent Investments Limited, a wholly-owned subsidiary of the Company, as the vendor; (ii) Guangzhou Yuhong Investment Company Limited (廣州御宏投資有限公司), a non-wholly owned subsidiary of the Company, as the target company; (iii) the Company; (iv) Skyleap Investments Limited, a wholly-owned subsidiary of the Company; and (v) Guangzhou Bohao Corporate Management Partnership (Limited Liability Partnership) (廣州博浩企業管理合伙企業(有限合伙)), an independent third party of the Company, as the purchaser, entered into the Co-Development Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire equity interest in the Target Company at the consideration of RMB1,500 million (equivalent to approximately HK$1,665 million) and the net amount advanced by way of loan by the Vendor and/or the subsidiaries of the Company to, among others, the Target Company, the Project Company and Yuxiang Investment amounting to approximately RMB1,831 million (equivalent to approximately HK$2,033 million) as at 31 December 2019.

(3) The adjustment represents the deconsolidation of the assets and liabilities of the Target Company as at 31 December 2019 as if the Disposal had been completed on 31 December 2019. The balances are extracted from the unaudited financial information of the Target Company as at 31 December 2019 as set out in Appendix II to this circular.

(4) The adjustment represents the derecognition of capital utilisation fee recorded as other receivables due to the Company from the Project Company as at 31 December 2019 as if the Disposal had been completed on 31 December 2019.

(5) The adjustment represents the pro forma gain on the Disposal as if the Disposal had been completed on 31 December 2019 as follows:

	HK$'000
Cash consideration *(Note i)*	1,665,300
Add: Net liabilities of the Target Company *(Note ii)*	117,935
Less: Outstanding Capital Utilisation Fee at Completion *(Note iii)*	(338,730)
Less: Estimated accounting, legal and other professional fees *(Note iv)*	(4,000)
Add: Fair value of the properties to be developed on the Non-Attributable Financing Area entitled by the Group *(Note v)*	738,075
Estimated gain on the Disposal before taxation	2,178,580
Estimated tax payable in relation to the estimated gain on the Disposal calculated at the applicable tax rate of 10% *(Note vi)*	(240,338)
Estimated gain on the Disposal after taxation	1,938,242

Notes:

(i) The amount represents the cash consideration of RMB1,500 million (equivalent to approximately HK$1,665 million) for the disposal of the entire equity in the Target Company.

(ii) The net liabilities of the Target Company as at 31 December 2019 are extracted from the unaudited financial information of the Target Company as at 31 December 2019 as set out in Appendix II to this circular.

(iii) The amount represents the Outstanding Capital Utilisation Fee amounting to RMB303 million (equivalent to approximately HK$338.7 million) recorded as other receivables due to the Company from the Project Company, being the Outstanding Capital Utilisation Fee payable by the Project Company to the Company up to Completion which will be derecognised upon Completion according to the applicable accounting standards.

(iv) The amount represents the estimated transaction costs payable by the Company of approximately HK$4,000,000, including the fees of the accountancy, legal, valuation and other professional services rendered for the Disposal.

(v) The amount represents the fair value of the properties with a total GFA of approximately 38,179 sq.m. to be developed on the Non-Attributable Financing Area, which have been reserved internally for the Remaining Group as at 31 March 2020. The Remaining Group may either hold such properties for investment properties held for long-term investment purpose or sell them to the Remaining Group's customers who may be interested in such properties, and the Remaining Group may generate revenue from such properties accordingly. It is agreed by the parties to the Co-Development Agreement that (i) these properties will be retained by the Remaining Group for delivery after completion of the development of the Project (including the completion of the preliminary registration of the properties developed under the Reconstruction Area); and (ii) the Purchaser shall procure the Project Company to transfer such properties to the Remaining Group at nil consideration.

(vi) The estimated tax expense is calculated in accordance with the Law of the PRC on Corporate Income Tax, i.e. consideration minus investment cost injected to the Target Company at the applicable tax rate of 10%.

(6) The adjustment represents the de-recognition of expected credit loss and deferred tax asset recognised in respect of the expected credit loss upon the completion of the Disposal for the purpose of the pro forma statement of financial position of the Remaining Group as at 31 December 2019.

(7) Amounts are extracted from the audited consolidated statement of profit or loss and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2019, as set out in the Annual Report 2019.

(8) The adjustment represents the deconsolidation of the financial performance and cash flows of the Target Company for the year ended 31 December 2019 as if the Disposal had been completed on 1 January 2019. The amounts are extracted from the unaudited financial information of the Target Company for the year ended 31 December 2019 as set out in Appendix II to this circular.

(9) The adjustment represents the derecognition of the Outstanding Capital Utilisation Fee and the corresponding income tax expense and expected credit loss recorded by the Group for the year ended 31 December 2019 as if the Disposal had been completed on 1 January 2019.

(10) The adjustment represents the pro forma gain on the Disposal as if the Disposal had been completed on 1 January 2019 as follows:

	HK$'000
Cash consideration *(Note i)*	1,665,300
Add: Net liabilities of the Target Company *(Note ii)*	12,811
Less: Estimated accounting, legal and other professional fees *(Note iii)*	(4,000)
Add: Fair value of the properties to be developed on the Non-Attributable Financing Area entitled by the Group *(Note iv)*	738,075
Estimated gain on the Disposal before taxation	2,412,186
Estimated tax payable in relation to the estimated gain on the Disposal calculated at the applicable tax rate of 10% *(Note v)*	(240,338)
Estimated gain on the Disposal after taxation	2,171,848

Notes:

(i) The amount represents the cash consideration of RMB1,500 million (equivalent to approximately HK$1,665 million) for the disposal of the entire equity in the Target Company.

(ii) The net liabilities of the Target Company as at 1 January 2019 are extracted from the unaudited financial information of the Target Company as at 31 December 2018 as set out in Appendix II to this circular.

(iii) The amount represents the estimated transaction costs payable by the Company of approximately HK$4,000,000, including the fees of the accountancy, legal, valuation and other professional services rendered for the Disposal.

(iv) The amount represents the fair value of the properties with a total GFA of approximately 38,179 sq.m. to be developed on the Non-Attributable Financing Area, which have been reserved internally for the Remaining Group as at 31 March 2020. The Remaining Group may either hold such properties for investment properties held for long-term investment purpose or sell them to the Remaining Group's customers who may be interested in such properties, and the Remaining Group may generate revenue from such properties accordingly. It is agreed by the parties to the Co-Development Agreement that (i) these properties will be retained by the Remaining Group for delivery after completion of the development of the Project (including the completion of the preliminary registration of the properties developed under the Reconstruction Area); and (ii) the Purchaser shall procure the Project Company to transfer such properties to the Remaining Group at nil consideration.

(v) The estimated tax expense is calculated in accordance with the Law of the PRC on Corporate Income Tax, i.e. consideration minus investment cost injected to the Target Company at the applicable tax rate of 10%.

(11) The adjustment represents the derecognition of deferred tax asset recognised in respect of the expected credit loss upon the completion of the Disposal for the purpose of the pro forma statement of profit or loss of the Remaining Group for the year ended 31 December 2019.

(12) The adjustment represents the cash flows from the disposal of the Sale Loan as if the Disposal had been completed on 1 January 2019.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Remaining Group.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

24 June 2020

The Board of Directors
Zhuguang Holdings Group Company Limited
Room 5702-5703, 57/F
Two International Finance Centre
8 Finance Street, Central
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Zhuguang Holdings Group Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2019, the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019 and the related notes set out on pages III-2 to III-9 of the circular dated 24 June 2020 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed disposal (the "**Disposal**") of the equity interest in Guangzhou Yuhong Investment Company Limited (the "**Target Company**") and the related loans. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page III-1 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Disposal on the financial position of the Group as at 31 December 2019 as if the Disposal had taken place on 31 December 2019, and the Group's financial performance and cash flows for the year ended 31 December 2019 as if the Disposal had taken place on 1 January 2019. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2019, on which an audit report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Disposal on unadjusted financial information of the Group as if the Disposal had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Disposal, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Disposal in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 31 March 2020 of the Attributable Financing Area.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2709, 27/F
Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

24 June 2020

The Board of Directors
Zhuguang Holdings Group Company Limited
Room 5702-5703, 57/F
Two International Finance Centre
8 Finance Street, Central
Hong Kong

Dear Sir,

Re: Valuation of a portion of an urban renewal project located at the east of Kaiyuan Avenue, west of Ruihe Road, Huocun, Huangpu District, Guangzhou City, Guangdong Province, the People's Republic of China (the "PRC")

In accordance with the instructions from Zhuguang Holdings Group Company Limited (the "**Company**") for us to value the captioned real property interest, details of which are provided in the enclosed valuation certificate, in the PRC, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such real property interest as at 31 March 2020 (referred to as the "**valuation date**").

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of the real property and the limiting conditions.

I. BASIS OF VALUATION

The valuation of the real property interest is our opinion of the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

II. VALUATION METHODOLOGY

The real property interest is valued by comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of the real property interest. Adjustments in the prices of the comparable properties are then made to account for the identified differences between such properties and the real property interest in the relevant factors.

III. ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the real property interest on the open market in its existing state without the benefit of any deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the real property interest.

As the real property is held under long term land use rights, we have assumed that the owner of the real property has free and uninterrupted rights to use, transfer or lease the real properties for the whole of the unexpired term of the respective land use rights. In our valuation, we have assumed that the real property can be freely disposed of, transferred and leased to third parties on the open market without any additional payment to the relevant government authorities.

All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report.

No environment impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licences, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

Other specific assumptions of the valuation, if any, have been stated out in the footnotes of the valuation certificate.

IV. TITLESHIP INVESTIGATION

We have been provided with copies of legal documents regarding the real property. However, due to the current registration system of the PRC, no investigation has been made for the legal title or any liability attached to the real property.

In the course of our valuation, we have relied upon the legal opinion given by the Company's PRC legal advisor — Wang Jing & GH Law Firm (廣悦律師事務所) in relation to the legal title to the real property. All legal documents disclosed in this report, if any, are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the real property set out in this report.

V. LIMITING CONDITIONS

We have inspected the real property. However, no structural survey has been made and we are therefore unable to report as to whether the real property is free from rot, infestation or any other structural defects. Also, no tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the areas in respect of the real property but have assumed that the areas shown on the relevant documents provided to us are correct. Based on our experience of valuation of similar real properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for any real property development. Our valuation is made on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided and have accepted advice given to us by the Company on such matters as planning approvals, statutory notices, easements, tenure, occupation, development scheme, construction costs, site and floor areas and in the identification of the real property. We have had no reason to doubt the truth and accuracy of the information provided by the Company. We were also advised by the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on the real property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the real property interest is free of encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Since the real property is located in a relatively under-developed market, the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the real property depending upon the assumptions made. While we have exercised our professional judgment in arriving at the value, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

VI. OPINION OF VALUE

Our opinion of the market value of the real property is set out in the attached valuation certificate.

VII. REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

In valuing the real property interest, we have complied with the requirements contained in the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors.

Site inspection of the real property was conducted in March 2020 by Mr. Liu Shu Hao Bachelor of Management. Portion of the real property was under certain foundation work and the remaining portion was vacant land with old buildings and structures being demolished.

Unless otherwise stated, all monetary amounts herein are denominated in the currency of Renminbi (referred to as "**RMB**").

We enclose herewith our valuation certificate.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

Mr. Jeff W.P. Liu,
MRICS, MHKIS
Assistant Director

Mr. Jeff Liu is a Chartered Surveyor who has more than 23 years of real property valuation experience in Hong Kong and extensive valuation experience in other locations including The PRC, Macau, and the Asia Pacific region.

VALUATION CERTIFICATE

Real property interest held for development in the PRC

Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 March 2020
A portion of an urban renewal project located at the east of Kaiyuan Avenue, the west of Ruihe Road, Huocun, Huangpu District, Guangzhou City, Guangdong Province, the PRC (Lot Nos. 440112012005 GB00160, 440112012005 GB00178 – 440112012005 GB00183)	The real property comprises portion of an urban renewal project with certain land parcels for the purpose of re-developing the land parcels will be re-developed into residential, commercial and office uses. The land parcels (the "**Land**") have a total site area of approximately 615,086 square metres, which is divided into two parts, namely Financing Area and Reconstruction Area. The Financing Area has a site area of approximately 354,213 square metres, of which approximately 289,122 square metres can be for construction. According to information provided, the total countable gross floor area of the proposed development is of approximately 1,081,556 square metres, comprising residential area of approximately 864,527 square metres, common facilities of approximately 95,269 square metres, commercial and office area of approximately 121,760 square metres, and is divided into six districts. While the Reconstruction Area has a site area of approximately 260,873 square metres, of which approximately 231,378 square metres can be for construction. According to information provided, the total countable gross floor area of the proposed development is of approximately 874,780 square metres, comprising residential area of approximately 764,300 square metres, common facilities of approximately 84,020 square metres, commercial and office area of approximately 26,460 square metres, and is divided into five districts.	Upon our site inspection, the district no.1 of the Financing Area of the real property is currently under foundation works, and the remaining portion of the Financing Area is vacant land with old buildings and structures being demolished.	RMB14,700,000,000 (Renminbi Fourteen Billion and Seven Hundred Million Only)

Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 March 2020

The real property comprises portion of the proposed development in the Financing Area with a total gross floor area of approximately 844,195 square metres upon completion, breakdown is shown below,

Usage	Gross Floor Area *(square metre)*
Residential	760,420
Commercial	20,000
Education Institution and public facility	63,775
Total:	**844,195**

The real property is scheduled to be completed in October 2022. As advised by the Company, the estimated cost to completion of the real property as at the valuation date is approximately RMB4,930,000,000.

The land use rights of the real property are held under seven sets of Real Estate Title Certificate for various terms of 70 years until 25 April 2089 and 24 November 2089 for residential use, 40 years until 24 November 2059 for commercial use, and 50 years until 24 November 2069 for commercial services and other uses.

Notes:

(i) According to 關於對我區東區街火村社區"三舊"改造方案的批覆 (translated as the "Project Reform Approval of Huocun Community, Dong Qu Jie") (the "**Approval**") Sui Luo Fu (2013) No.33 issued by the People's Government of Luogang District, Guangzhou City dated 27 November 2013, the reform project with a total site area of approximately 615,100 square metres to a composite development of commercial and residential was approved. The approval contains, inter alia, the following salient conditions:

Nature of land	:	Commercial/Residential uses
Construction land area	:	615,100 square metres
Countable gross floor area	:	1,925,200 square metres
Plot ratio	:	3.13
Building covenant	:	• In each phase of the reform, priority should be given to constructing the residential reconstruction area, co-ordinating the resettlement area, reforming and constructing the public facilities; and • Unless demolition work of old village has been completed and resettlement housing has been built, no construction work except public facilities and fire service engineering can be commenced.

(ii) According to 關於申請核發火村舊村改造項目規劃條件的覆函 (translated as the "Reply Letter on application of the planning conditions of Huocun Project Reform") (the "**Reply**") Sui Kai Guo Gui She (2017) No.58 issued by the Land and Resources Bureau of Guangzhou Development Zone dated 18 December 2017, the planning conditions of the reform project are shown as below,

Total land area	:	615,086 square metres
Public road land area	:	54,077 square metres
Greenery land area	:	37,505 square metres
Construction land area	:	523,504 square metres
Countable gross floor area	:	1,956,336 square metres
Building covenant	:	free handover the public road land area and greenery land area to relevant government authorities after completion of the reform

(iii) According to six sets of State-owned Construction Land Use Rights Grant Contract ("**Land Grant Contracts**") entered into between Guangzhou Municipal Planning and Natural Resources Bureau (廣州市規劃和自然資源局) and Guangzhou Hongxiang Real Estate Company Limited (廣州宏祥房地產有限公司) ("**Guangzhou Hongxiang**") dated 26 April 2019 and 25 November 2019 respectively, the land use rights of 6 land parcels of the Financing Area with a total site area of approximately 354,213 square metres were contracted to be granted to Guangzhou Hongxiang for various terms of 70 years for residential use, 40 years for commercial use and 50 years for commercial services use, at a total consideration of RMB1,396,920,000.

(iv) According to seven sets of Real Estate Title Certificate, known as Yue (2019) Guang Zhou Shi Bu Dong Chan Quan Di No.06860003, 06860132, 06860569, 06860571 to 06860574, dated 16 May 2019, 26 December 2019, 30 December 2019 and 9 January 2020 respectively, the land use rights of the Financing Area with a total site area of approximately 293,313 square metres (portion of which with 4,191 square metres is for city road) have been granted to Guangzhou Hongxiang for various terms of 70 years for residential use commencing on 25 April 2019 and 24 November 2019, 40 years commencing on 24 November 2019 for commercial uses, and 50 years commencing on 24 November 2019 for commercial service and other use.

(v) According to a Construction Land Use Approval (Sui Gui Hua Zi Yuan Di Zheng (2019) No.175) issued by Guangzhou Municipal Planning and Natural Resources Bureau and dated 29 April 2019, the land use of the Phase 1 of Financing Area with a site area of approximately 25,894 square metres has been approved.

(vi) According to a Construction Works Planning Permits (Sui Gui Hua Zi Yuan Jian Zheng (2019) No.2124 issued by the Guangzhou Municipal Land Resources and Planning Bureau (廣州市國土資源和規劃委員會) dated 28 May 2019, the construction works with a total gross floor area of approximately 96,242.8 square metres were compiled with the planning requirements.

(vii) According to a Construction Works Commencement Permit (No. 440112201906120101) issued by the Housing and Urban-rural Development Bureau of Guangzhou Municipal Huanpu District (廣州市黃埔區住房和城鄉建設局) dated 12 June 2019, the construction works with total gross floor areas of approximately 96,242.8 square metres were permitted for commencement of construction.

(viii) According to information provided, the construction costs incurred of the real property as at the valuation date is approximately RMB45,000,000.

(ix) The capital value of the real property, as if completed according to the development proposals as described above as at the valuation date, would be of approximately RMB28,800,000,000.

(x) We have been provided with a legal opinion regarding the real property interests issued by the Company's PRC legal advisor which are summarised as below:

- Guangzhou Hongxiang has settled the land premium and taxes for the Financing Area, except the land premium for the underground space;

- the Real Estate Title Certificates for both Financing Area and Reconstruction Area required for this project have been obtained, and the land use rights of the project are clear;

- Construction Works Commencement Permit for portion of the Financial Area and Reconstruction Area have been obtained, the construction work of the development was permitted. Once the permits required in accordance to the law for the construction work of the remaining portions on Financial Area and Reconstruction Area have been obtained, the construction works for the corresponding land can be commenced;

- Guangzhou Hongxiang is the sole legal owner of the land use rights of the land parcels mentioned in Note (iii);

- Guangzhou Hongxiang has the rights to occupy, use, lease and mortgage the land use rights of the land parcels legally without obtaining further approval, permission from any PRC Government authorities; and

- The land use right of portion of the Financing Area, having a site area of approximately 25,894 square metres, was subject to various mortgages as at the valuation date. However, the mortgages have been discharged on 26 May 2020 and 28 May 2020, respectively.

(xi) In our valuation, we have assumed that the real property interest can be freely disposed of and transferred to third parties on the open market without the payment of any premium, compensation for demolition and relocation or onerous monies to the relevant government authorities.

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from Greater China, an independent valuer, in connection with its opinion of the market value of the Target Company as at 29 February 2020.

24 June 2020

The Board of Directors
Zhuguang Holdings Group Company Limited
Room 5702-5703, 57th Floor
Two International Finance Centre, 8 Finance Street,
Central, Hong Kong

Dear Sirs/Madams,

Valuation of Guangzhou Yuhong Investment Ltd.

In accordance with the instructions from Zhuguang Holdings Group Company Limited (the "**Company**"), we were engaged to perform a valuation analysis of:

- the market value of 100% equity interest (the "**Equity Interest**") in Guangzhou Yuhong Investment Limited[1] (the "**Target Company**") as at 29 February 2020 (the "**Valuation Date**").

It is our understanding our analysis will be used by the management of the Company for internal reference purpose only. Our analysis was conducted for the above-mentioned purpose only and this report should be used for no other purpose without our express written consent. Our work was performed subject to the limiting conditions and general service conditions described in this report. The standard of value is market value; while the premise of value is going concern.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

[1] For identification purpose only. The official Chinese Name: 廣州御宏投資有限公司 .

I. PURPOSE OF ENGAGEMENT

It is our understanding that our analysis will be used for internal reference purpose only.

II. SCOPE OF SERVICES

We were engaged by the management of the Company in evaluating of the market value of the Equity Interest as at the Valuation Date.

III. BASIS OF VALUATION

We have performed valuation of the Equity Interest on the basis of market value which defines as *"an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"*.

Our valuation has been prepared in accordance with the International Valuation Standards (2017 Edition) on business valuation published by the International Valuation Standards Council. This standard contains guideline on the basis and valuation approaches used in business valuation.

IV. PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject in the manner that would generate the greatest return to the owner of the Target Company. It takes account of what is physically possible, financially feasible and legally permissible. Premise of value includes the following:

1. **Going concern:** appropriate when a business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;

2. **Orderly liquidation:** appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;

3. **Forced liquidation:** appropriate when time or other constraints do not allow an orderly liquidation; and

4. **Assembled group of assets:** appropriate when all assets of a business are sold in the market piecemeal instead of selling the entire business.

This valuation is prepared on a going concern basis.

V. LEVEL OF VALUE

Valuation is a range concept and current valuation theories suggest that there are three basic "levels" of value applicable to a business or business interest. The levels of value are respectively:

1. **Controlling interest:** the value of the controlling interest, always evaluate an enterprise as a whole;

2. **As if freely tradable minority interest:** the value of a minority interest, lacking control, but enjoying the benefit of market liquidity; and

3. **Non-marketable minority interest:** the value of a minority interest, lacking both control and market liquidity.

This valuation is prepared on a controlling interest basis.

VI. SOURCES OF INFORMATION

Our analysis and conclusion was based on our discussions with the management of the Company, as well as reviews of key documents and records, including but not limited to:

1. Management accounts of the Target Company as at the Valuation Date;

2. Draft legal opinion of Guangzhou Huangpo District East Street Huocun Society Reform Project Equity Transfer[2] from Wang Jing & GH Law Firm (the "**Legal Opinion**"); and

3. Group chart of the Company.

We also relied upon publicly available information from sources on capital markets, including industry reports, and various databases of publicly traded companies and news.

[2] For identification purpose only. The official Chinese Name: 廣州市黃埔區東區街火村社區舊村改造項目股權轉讓事宜

VII. ECONOMIC OVERVIEW

In conjunction with the preparation of this valuation, we have reviewed and analysed the current economic conditions of China where the profit of the Target Company is derived, and how the valuation of the Equity Interest may be impacted.

1. Nominal GDP Growth in China

In the period of 12th Five-year Plan (2011-2015), the status of economic development has been altered from rapid growth to medium-high speed growth. Under the current 13th Five-Year Plan (2016-2020), economy growth is expected to shift into lower gear as the country pursues a more sustainable and balanced expansion based on consumption, while striving to achieve a moderately prosperous society. Although the authorities are unlikely to roll out large-scale measures to drive growth, supply side reforms should gradually free up market vitality. A number of initiatives, notably the Belt and Road Initiative, Internet Plus and Made in China 2025, should also facilitate economic upgrading and increased global integration. As such, efforts to boost consumption are likely to whet an appetite for consumer goods, whereas industry upgrading is expected to stimulate demand for capital goods.

Since the inauguration of Chinese President Mr. Xi Jinping and the new government officials in 2013, the core of economic policy has shifted from focusing on short-term stimulus to no stimulus, deleveraging and structural reform on the national economy. It can be observed that the real gross domestic products ("**GDP**") annual growth rate has been stabilised in the recently 5 years and remained at around 7%, whereas the inflation has remained moderate around 2% in 2018. The slowdown of the economic expansion was not a turning signal of economic downturn, but in fact it was matched with the expectation of Chinese government.

Table 8-1 Real GDP Annual Growth Rate and Inflation of China

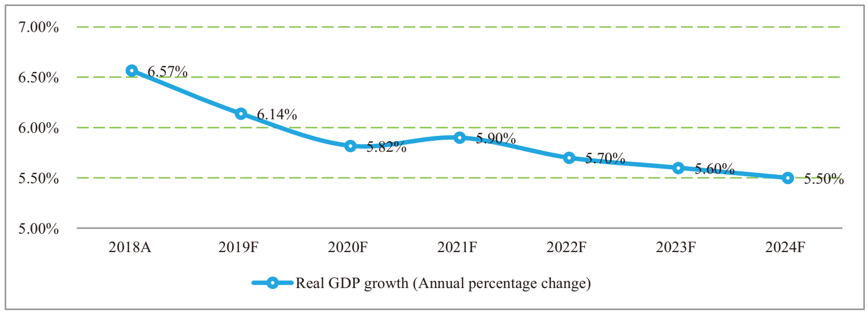
	2014	**2015**	**2016**	**2017**	**2018**
Real GDP Annual Growth Rate (%)	7.30	6.90	6.73	6.76	6.57
Inflation (%)	1.99	1.44	2.00	1.56	2.10

Source: World Economic Outlook Database (October 2019), International Monetary Fund

In accordance with the forecast published by International Monetary Fund ("**IMF**") in October 2019, the overall real GDP growth was at 6.57% in 2018, while the projection of the real GDP growth in the next five years would follow a steady decline from 6.14% in 2019 to 5.50% in 2024.

The following diagram shows the real GDP annual growth rate forecasts from 2018 to 2024.

Figure 8-1 Forecasts of Real GDP Annual Growth Rate of China



Source: World Economic Outlook Database (October 2019), International Monetary Fund

According to "World Economic Outlook Database (October 2019)" by IMF, the Chinese economy was ranked 2nd in terms of size in 2018; it possesses the greatest growth prospect among the top six economies in the world. The Chinese economy is forecasted to grow from USD13,407 billion in 2018 to USD20,979 billion in 2024 with a compound annual growth rate ("**CAGR**") of 7.74%. It is worth noting that the gap between the United States and China is projected to be narrowing over time.

Table 8-2 Worldwide GDP

Country	GDP — Billions of the United States Dollar ("USD")						
	2018A	2019F	2020F	2021F	2022F	2023F	2024F
United States	20,494	21,439	22,322	23,180	24,014	24,881	25,793
China	13,407	14,140	15,270	16,579	17,952	19,408	20,979
Japan	4,972	5,154	5,413	5,592	5,796	6,019	6,260
Germany	4,000	3,863	3,982	4,159	4,323	4,491	4,675
United Kingdom	2,829	2,744	2,717	2,806	2,911	3,025	3,150
India	2,717	2,936	3,202	3,510	3,848	4,224	4,632

Source: World Economic Outlook Database (October 2019), International Monetary Fund

In the near-term outlook, there are several challenges affecting the China's economy. The trade dispute between China and the United States will have negative impacts on China's economy and drag China's economy growth. For China, the newly proposed tariffs will have a greater economic impact than the earlier measures targeting steel and aluminium. Data from the National Bureau of Statistics shows that China exported nearly USD460 billion of products to the US in 2018, accounting for 19% of its total exports. A research report issued by PBOC shows that the USD 50 billion trade war will slow China's GDP growth by 0.2% compared to the baseline scenario. Besides, the rapid growth in credit financing has derived a so-called 'shadow banking system', raising concerns about the quality of investment and the ability on repayment, especially when capital is flowing through less-well supervised parts of the financial system. Since China suffered from the first corporate bond default in March 2014, the bond investors in the current market became more cautious on reviewing the credibility of the borrowers and the stability of the market. The outbreak of coronavirus in early 2020 is bound to hamper the economy of China as factories are forced to temporarily shut down and travel restrictions and fears of contagion were in place. Morgan Stanley estimates the economic growth of China will slow to 5.6% to 5.9% for 2020.

In addition, China's economic growth in the past was highly dependent on continuous investment in infrastructure projects. Redundant and duplicate developments resulted in a mismatch and wastage of resources. The recovery of these substantial investments, which was mainly financed by borrowing, is challenging. After the inauguration of Chinese President Xi, the China's government tried to tighten the funding channel, the capital market has immediately quaked. Not only the GDP growth rate but also the stability of the entire capital market system in China would potentially be impacted if the problem cannot be handled properly.

Furthermore, President Xi's campaign against corruption and extravagant spending on one hand may improve the image of the government and increase the operational efficiency, but on the other hand, it has affected the customer spending sector, especially, the luxury goods, fine dining and business travelling which used to be the unofficial fringe benefits of the government officers.

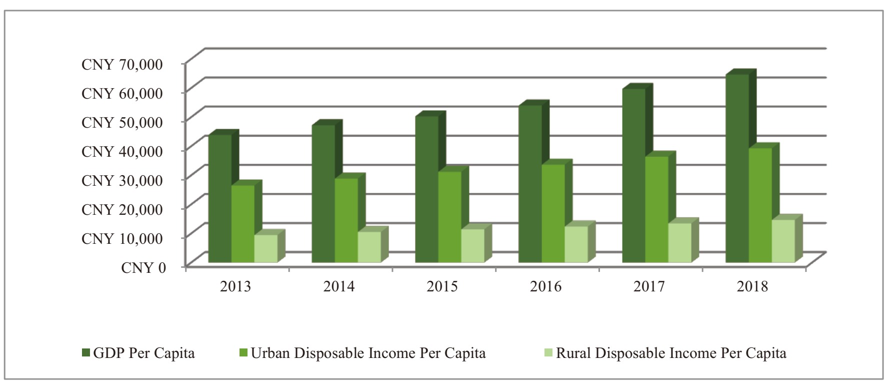
While the GDP growth of China's market stalls, the other markets start recovering. The World Bank commented that the major obstacles to the recovery, including a Eurozone meltdown have been overcome. The Chinese policymaker must clamp down on lending to prevent asset bubbles. Unless the Chinese economy faces imminent risk of collapse, the "temporary hard-landing" will not deter the long-term growth prospect of China.

2. GDP per Capita in China

Improving standard of living was one of the main issues in social aspects of the 12th Five-year plan. The disposable income level, being a good measure, has grown significantly over the past few years. According to the National Bureau of Statistics of China, annual disposable income per capita of urban households in China has increased from RMB24,565 in 2012 to RMB39,251 in 2018, representing a CAGR of approximately 9.8%; annual disposable income per capita of rural households has increased from RMB7,920 in 2012 to RMB14,617 in 2018, representing a CAGR approximate to 13.0%. In comparison to the inflationary figures, the annual inflation rate is between 1.44% and 2.65% during the period from 2012 to 2018. Hence, there were improvements in the standard of living of Chinese people overall in the period from 2012 to 2018.

The following diagram shows the GDP per capita, annual urban and rural disposal income per capita from 2013 to 2018.

Figure 8-2 GDP per Capita of China



Source: National Bureau of Statistics of China

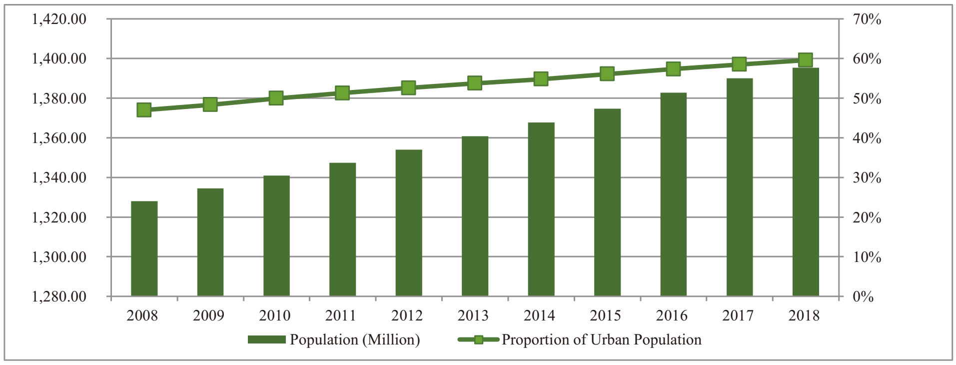
3. Population Growth

The population of China accounts for almost one fifth of the world's population. According to the World Bank, the population has grown from 1.32 billion in 2008 to 1.39 billion in 2018, representing a CAGR of approximately 0.49%.

According to the National Bureau of Statistics of China, the proportion of urban population in China increased from 46.99% in 2008 to 59.58% in 2018, representing a CAGR of approximately 2.40%.

The following diagram shows the population growth and corresponding urban population growth in China from 2007 to 2018.

Figure 8-3 Population and Portion of Urban Population in China



Source: National Bureau of Statistics of China

Population growth is expected to be steady over the balance of this decade. Population growth, along with increasing urbanisation and expansion of the middle class, are particularly important to support the future growth of the domestic demand on affordable luxury goods, such as vehicles, luxury watches, etc. Steady growth in population together with improving living standard continuously supports a strong demand in housing and transportation. On the other hand, the unemployment rate was recorded at around 3.9% for the past few years, and it is estimated the rate will remain slightly lower at 3.8% from 2019 to 2024.

Table 8-3 Population Forecast of China

	2018A	2019F	2020F	2021F	2022F	2023F
Population (Million)	1,395.38	1,400.17	1,404.46	1,408.22	1,411.46	1,414.18
Unemployment rate (%)	3.8	3.8	3.8	3.8	3.8	3.8

Source: World Economic Outlook Database (October 2019), International Monetary Fund

Although the one-child policy has curbed the growth in birth rate in China, the rising trend of China's population has not been slowed down in recent decades. At the same time, a side effect of the policy has started to take effect in the current decade; the number of elderly people is rising and this age group is forecasted to grow over the next few decades. However, the Government recognised this trend and introduced the two-child policy, which came into effect throughout the country from October 2015. Hopefully this policy will offset the aging population structure over the next few decades.

Table 8-4 Age Distribution of China from 2008 to 2017 and CAGR

Age distribution	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	CAGR
0-14(Million)	247	223	222	223	223	226	227	230	233	235	-0.52%
15-64(Million)	975	999	1,003	1,004	1,006	1,005	1,004	1003	998	994	0.21%
>=65(Million)	113	119	123	127	132	138	144	150	158	167	4.40%

Source: National Bureau of Statistics of China

4. Inflation

Managing inflation risk has been one of the key missions for the China's government over this decade. The latest economic data released by National Bureau of Statistics of China indicated that the inflation rate was reported at 2.20% in November 2018 on year-over-year basis, with food prices increasing by 2.50% and non-food prices increasing by 2.10%. China is expected to continue a prudent monetary policy, reduce debt financing ratio in the state-led investment to a reasonable level and optimise financing and credit structures in the future.

In comparison to the inflation rate of the world's average and of emerging and developing economies, the outlook for China's inflation is left far behind. The continual appreciation of RMB and the dominating role of exports in the Chinese economy were the primary reasons. On one hand, with the Federal Reserve raising interest rates in 2018, a new round of currency depreciations is expected to occur in emerging countries; on the other hand, the total import trading volume of China keeps increasing. Due to these two factors, expectation for RMB depreciation becomes much stronger and this situation has been kept prevailing in 2018.

Table 8-5 Annual Inflation Forecasts of China

	Inflation, Average Consumer Prices Changes (%)						
	2018A	2019F	2020F	2021F	2022F	2023F	2024F
World	3.615	3.41	3.557	3.481	3.453	3.429	3.415
Emerging and developing economies	4.781	4.737	4.76	4.545	4.404	4.317	4.256
China	2.100	2.305	2.432	2.800	2.900	3.000	3.000

Source: World Economic Outlook Database (October 2018), International Monetary Fund

Since a currency war on top of a trade war with the US would further upset nervous markets and potentially spur capital flight, the PBOC is likely to limit moves by the currency before it weakens too much.

Figure 8-4 Exchange rate of RMB to USD from 2014 to 2018

Source: Bloomberg

5. Government Policy

The Chinese government's 13th Five-Year Plan (2016-2020) has supply side reform as its main focus. The plan aims at 1) maintaining modest economy growth on a balanced, inclusive and sustainable basis, targeting to double GDP and per capita income of urban and rural residents comparing to 2010 by 2020; 2) upgrading the industry towards high-end level accompanied with contributions of consumption to economic growth accounting more, and improving the urbanisation rate to a higher level; 3) enhancing agricultural modernisation, improving people's living standards and quality, and helping the rural poor population out of poverty; 4) improving core socialist values, ecological environment quality and social civilisation significantly; 5) implementing a more mature and stereotyped political system and achieving significant progress in national governance systems and governance capacity modernisation.

The 19th National Congress of the Communist Party of China commenced on 8th October 2017 with a keynote report delivered by President Xi Jinping. The Congress is China's most important political event and reviews the progress of the past five years and shapes the social and economic development for the next five-year term. President Xi's report to the Congress included a pledge to deepen supply-side structural reform; encourage innovation; reduce financial risks; reform state-owned enterprises; and expand market access to foreign companies.

In the Central Economic Work Conference held in Beijing at the end of 2019, the top leaders of the Communist Party of China emphasised that the main tasks in 2020 were as follows:

- Unswervingly put into practice the new concepts of innovative, coordinated, green, open and inclusive development to promote high-quality development, calling on governments at all levels to adopt a comprehensive and holistic approach;

- Take resolute efforts in the "three tough battles" of preventing and defusing financial risks, targeted poverty alleviation and pollution control;

- Improve the people's well-being, as well as ensure a stable workforce and enhance the pattern and quality of employment;

- Implement a proactive fiscal policy and prudent monetary policy. The fiscal policy should focus on improved quality and efficiency with more efforts on structural adjustment, while the monetary policy should be flexible and moderate to maintain market liquidity at a reasonably ample level, reducing the cost of social financing;

- Boost high-quality development, and improve overall economic competitiveness via innovation and reform and opening-up;

- Deepen the reform of the economic system. The reform of State-owned assets and enterprises is to be accelerated. Foreign investment will be facilitated and better protected.

Overall speaking, inflation was mild and the economy may suffer a short-term slowdown. Currently, it leaves policy makers sufficient flexibility if they believe the economy needs any stimulus policies.

VIII. INDUSTRY OVERVIEW

1. Property Development Industry in China

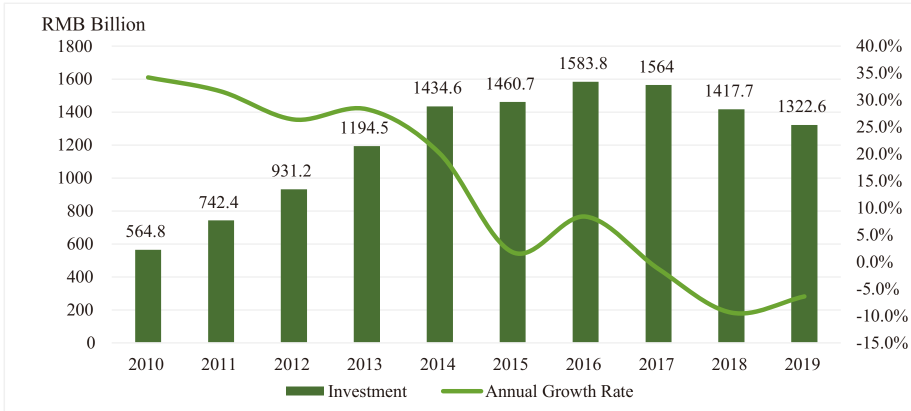
Property development represents a sizeable share of China's economic activity and has made a considerable contribution to overall growth over recent history. Nevertheless, during the past few years, China's property market has become increasingly diversified, with major cities reporting record-high prices and smaller cities struggling to reduce inventory. The split structure means the government must strike a balance between curbing asset bubbles in big cities and boosting sales in smaller cities. The Chinese government has been trying to wean the economy off from sizzling property development to make it more sustainable. The Central Economic Work Conference held at the end of 2016 set the tone for the real estate market in recent years: stable and healthy development. The principle of "Houses are built to be lived in, not for speculation" was stated in the report issued after the conference. The government targets to establish a market-oriented long-term mechanism that can curb real estate bubbles and prevent erratic fluctuations and will use land, investment, regulation, fiscal policy and financial instruments to achieve its aim.

According to National Bureau of Statistics, China's investment in property development continued to gained steam in 2019, as investors continued to start new projects amid surging house prices. Investment in real estate development grew 9.9% year on year in 2019, 0.4% faster than the previous year.

For residential properties, capital investment rose 6.4% year on year, and the floor space of new residential construction expanded 13.9% year on year while housing sales remained steady. In terms of floor area, property sales area was 0.1% down from the previous year, while in terms of value, sales decreased by 8.7%. By the end of December 2019, 498.2 million square meters of property remained unsold in China, down 4.9% year on year.

Meanwhile, affected by the Sino-American trade conflict, commercial property transaction volume has been decreasing. Although the coronavirus outbreak poses a new downside risk to office leasing market in the short-term, CBRE Research expects the impact on the key demand drivers of TMT, finance and professional services, will be much lighter. The outbreak could even stimulate extra office leasing demand from certain TMT sub-industries such as online gaming, education and enterprise online working services.

Figure 8-1 Commercial Property Investment in China, 2006-2016



Source: National Bureau of Statistics

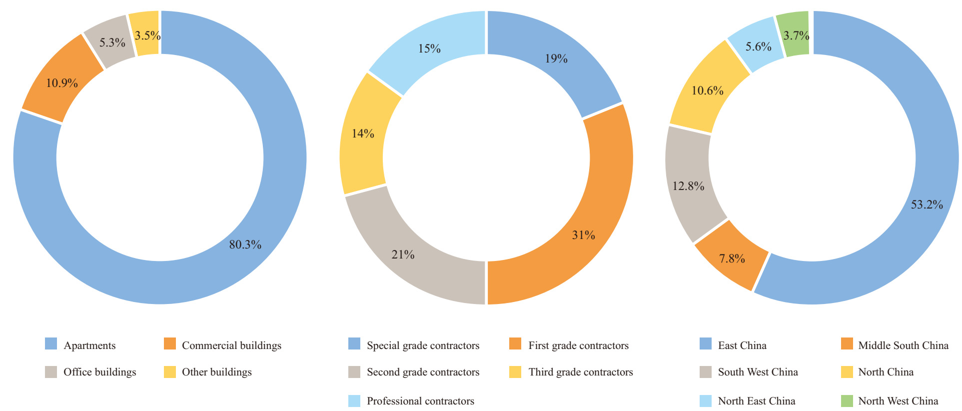
The coronavirus outbreak will impact both office supply and demand in 2020. Entertainment, F&B and fashion retailers will be most impacted in Q1 2020 as they have temporarily closed a large number of stores across the nation. There is a high likelihood that around 13% of scheduled pipeline stock will be delayed. CBRE expects nationwide office demand to dip hugely during Q1 2020, followed by a period of stabilisation and recovery in subsequent quarters. As a result, full year office net absorption is forecast to reach 3.5 million sq. m., a figure on par with 2019.

2. Building and Construction Industry in China

The building construction sector plays an important role in China's continued economic development and is one of pillar industries in China. The value of construction output accounted for 25.9% of China's GDP in 2017, up from 10.5% in 2016. According to the forecast of ACMR-IBISWorld, stable industry revenue growth will occur due to increasing housing demand in China, although growth will be slower than in the previous five-year period. The total industry revenue is expected to grow at an annualised rate of 2.6% to USD2.4 trillion over the next five years through 2021.

The building construction market is an unbalanced market. The figure below shows the division from three different aspects including building clients, contractors and business locations.

Figure 8-5 Segmentation of Building Clients, Contractors and Business Locations



Source: ACMR-IBISWorld

The building construction industry is also a highly fragmented industry. In 2018, the top four market participants have occupied only a market share of 11.3%, with over 500,000 competitors. Only a limited number of companies operate on a national scale and have formed significant economies of scales. The majority of construction enterprises are small in scale with limited business and regional scope. The larger industry participants often have rich resources and government background, allowing them to develop fully-integrated value chain by establishing upstream building materials manufacturing facilities and downstream real estate firms. It helps industry leaders to achieve economy of scale with significantly better revenue and cost profiles. Additionally, enterprises with government background also enjoy more preferential government policies and leeway.

Different from other industries, construction projects require larger initial investments and longer investment period. These characteristics determine that construction enterprises are always related to low profit margin, high debt ratio and operating tension. The greatest challenge for a construction enterprise is capital. It is often not financially feasible for a construction enterprise to provide such long-term and large amount of fund solely relying on internal financing. Under the circumstances, external financing becomes extremely important. It is not only the key factor for corporate sustainable development, but also the key factor for the level of industry risk they bear.

Traditional financing channels include debt financing, equity financing and private placement. In the past years, debt financing, or rather, bank loans were the most commonly used in construction industry in China. The situation continued until 2014. Since then, equity financing has been representing a rapid growth trend while debt financing has been representing a declining trend due to tightening of credits and government policies as debt ratios skyrocketed.

The building construction industry is largely driven by macro governmental policies. In consideration of rapidly increasing housing prices these years, the State Council and several local governments issued a series of restrictive measures to curb the rising prices, especially in first and second-tier cities. With these policies and regulations in place, sales volume and average prices of residence was largely tamed due to significant decrease in purchases of second, third or additional properties purely for investment and speculation purposes. This lowered demand, has discouraged and slowed down new real estate investments as well as new house starts.

IX. COMPANY OVERVIEW

9.1. Zhuguang Holdings Group Company Limited (the "Company")

The Company is a listed company in The Stock Exchange of Hong Kong Limited (stock code: 1176). The Company, together with its subsidiaries, is principally engaged in property development, property investment and property rental activities in China.

9.2. Guangzhou Yuhong Investment Limited[3] (the "Target Company")

The Target Company was incorporated on 16 August 2018 in China as a private limited company with a registered capital of RMB20 million. As of the Valuation Date, 90% of equity interest in the Target Company is owned by a wholly-owned subsidiary of the Company while 10% of equity interest in the Target Company is owned by Guangzhou Rongcheng Investment Development Company Limited.

9.3. Guangzhou Hongxiang Real Estate Company Limited[4] (the "Project Company")

Project Company is a company established in the PRC with limited liability and undertaking the urban renewal project in respect of the Land for the purpose of, re-developing the Land and the buildings thereon into residential, commercial and office areas (the "**Project**"). The Project Company is 100% owned by Guangzhou Yuxiang Investment Company Limited ("**Yuxiang Investment**").

9.4. Guangzhou Yuxiang Investment Company Limited[5] ("Yuxiang Investment")

Yuxiang Investment is a company established in the PRC and it is wholly owned by Guangzhou Huangpo District East District Street Huocun Economic Organisation[6] ("**Huocun Econ Organisation**") and the sole shareholder of the Project Company.

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[3] For identification purpose only. The official Chinese Name: 廣州御宏投資有限公司
[4] For identification purpose only. The official Chinese Name: 廣州宏祥房地產有限公司
[5] For identification purpose only. The official Chinese Name: 廣州御祥投資有限公司
[6] For identification purpose only. The official Chinese Name: 廣州市黃埔區東區街火村社區經濟聯合社

X. THE TARGET COMPANY AND UNDERLYING PROJECT

The Project is an urban renewal project of the land located at Huocun, Huangpu District, Guangzhou City, Guangdong Province, the PRC with a site area of approximately 615,086 sq.m. As at the Valuation Date, the Project is undertaken in the name of the Project Company. The Project is divided into two areas, namely, the reconstruction area ("**Reconstruction Area**") and the financing area ("**Financing Area**"). The properties developed on the Reconstruction Area will be transferred back to its original residents while the properties developed on the Financing Area will be held by the Project Company.

According to the Legal Opinion, the Company entered into a project company cooperation agreement ("**Project Company Cooperation Agreement**") with Guangzhou Dongjin New District Development Company Limited[7] ("**Dongjin Company**") and Huocun Econ Organisation on 18 April 2019. Pursuant to the Project Company Cooperation Agreement, it is agreed that:

1. Fifteen (15) economic organisations would set up Yuxiang Investment, and Yuxiang Investment will set up the Project Company to hold the Financing Area and the Company shall be responsible for all the operating costs of the Project Company;

2. the Financing Area will be transferred to the Project Company; and

3. when the land under the Project meets the condition for the transfer of equity interest in the Project Company, Huocun Econ Organisation shall arrange for the equity interest in the Project Company to be transferred to Dongjin Company, the Company or company(ies) owned by them at nil consideration.

XI. VALUATION METHODOLOGY

The valuation of any asset can be broadly classified into one of the three approaches, namely the market approach, the income approach and the asset approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset.

7 For identification purpose only. The official Chinese Name: 廣州東進新區開發有限公司

11.1. Market Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of competition. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should be approximate to one another.

We considered but rejected the market approach for this valuation due to available public information in relation to transaction frequently involves specific parties who pay a premium/discount under its unique circumstances. It was difficult to make adjustment to reflect the unique circumstances of the Target Company and the underlying project.

11.2. Income Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

We considered but rejected the income approach to arrive at the fair value of the Equity Interest. Since the Target Company itself is only providing fund to finance the Project, no economic benefit stream from the Project has been formed. The Project carried out by the project company was still at development stage as at the Valuation Date, the projection of the timing of cash flow of the Project was subject to uncertainties which affected profitability.

11.3. Asset Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities.

Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

We considered and accepted the asset approach to estimate the fair value of the Equity Interest. In accordance with the International Valuation Standards (2017 Edition), the asset approach can be applied in the case of early stage or start-up businesses where profits and/or cash flow cannot be reliably determined and adequate market information is available on the entity's assets. In this valuation, the core assets of the Target Company included prepayment, deposits and other receivables. This fulfils the requirements of the International Valuation Standards (2017 Edition) to apply the asset approach, and without the long term operational forecast, the sum of the fair value of the assets, net of its liabilities, would be a fair representation of the fair value of the Equity Interest.

XII. GENERAL ASSUMPTIONS OF VALUATION

A number of general valuation assumptions have to be established in order to sufficiently support our conclusion. The general assumptions adopted in this valuation included:

1. There would be no material changes in the existing political, legal, fiscal, foreign trade and economic conditions in countries where the Target Company is operated;

2. There would be no significant deviation in the industry trends and market conditions from the current market expectation;

3. There would be no major changes in the current taxation law in China and countries of origin of our comparable companies;

4. There would be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;

5. All relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application; and

6. The Target Company would retain competent management, key personnel, and technical staff to support the ongoing operation of its business.

XIII. ASSET APPROACH

The asset approach is based on the economic principle of substitution; it essentially measures what is the net asset value as at the Valuation Date and how much it would cost to replace those assets. Either one of the replacement value, liquidation value and adjusted net asset value method is used to estimate the current fair market value of the business or its assets.

Details of the statement of financial position of the Target Company as at the Valuation Date were as follows:

Table 13-1 Summary of Assets and Liabilities of the Target Company as at the Valuation Date

As at 29 February 2020	*Note*	**Market value RMB**
Current Assets		
Amount due from related parties (for HK GAAP)	2	600,020,000
Prepayment, deposits and other receivables	1	2,524,518,971
Bank and cash balances	2	17,704
Total current assets		3,124,556,675
Current Liabilities		
Amount due to related parties (for HK GAAP)	2	2,625,382,341
Bank and other borrowings-due within one year	2	12,513,494
Total current liabilities		2,637,895,835
Non-current Liabilities		
Bank and other borrowings-due after one year		602,154,880
		602,154,880
Net Liability of the Target Company		115,494,040
Fair Value of 100% Equity Interest		0

** Sum of individual figures may not equal the total amount due to rounding*

Note 1: The amount is net of expected credit loss. It is assumed that the book value of the assets can reflect the market value.

Note 2: It is assumed that book value of assets and liabilities with current nature and bank and other borrowings due after one year can reflect the market value.

According to the Legal Opinion, interest in the Project Company shall be transferred to the Target Company based on the land resumption progress at nil consideration, and that includes 100% of the equity interest in the Project Company and all of its interest of land-financing land portion. However, as at the Valuation Date, the Target Company hold 0% equity interest in the Project Company.

In accordance with the instructions from the management of the Company, we further carried out a valuation analysis of the Equity Interest under the following special assumptions for reference purpose:

- Land resumption has been completed by the Project Company;

- 100% of equity interest in Project Company has been transferred to the Target Company; and

- Land value reflects the market value of the Project Company, as the Project Company is set up solely for accomplishment of the Project.

The market value of the land was based on the endorsed opinion of a qualified surveyor.

Table 13-2 Reference Value of Equity Interest under Special Assumptions

	RMB
Net Liability of the Target Company (rounded)	(115,000,000)
Land Value in the Project Company	14,700,000,000
Less: Development Cost of the Project	(13,118,000,000)
Reference Value of Equity Interest under Special Assumptions	**1,467,000,000**

XIV. LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company and the Target Company. Furthermore, we have not assessed any potential tax implication incidental to the transaction, in which the Company should seek advice from the tax adviser.

The opinions expressed in this report have been based on the information supplied to us by the Company and their staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation were provided by the management of the Company. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review were reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflected facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

XV. CONCLUSION OF VALUE

In conclusion, based on the analysis stated above and the valuation method employed, it was our opinion that the market value of 100% equity interest in Guangzhou Yuhong Investment Limited as at 29 February 2020 was as follows:

As at 29 February 2020	**Market Value**
Net Asset Value in Guangzhou Yuhong Investment Limited	Net Liability of RMB115,494,040
100% equity interest in Guangzhou Yuhong Investment Limited	RMB0

The opinion of value was based on generally accepted valuation procedures and practices that relied extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which could be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

Analysed and Reported by:
Victor C.W. Siu, *CFA, AICPA*
Director

Faye C.Y. Chan, *CPA (Aust.)*
Senior Manager, Business Valuation & Transaction Advisory

INVOLVED STAFF BIOGRAPHY

Victor C.W. Siu, *CFA, AICPA*

Director

Mr. Siu is the Head of Business Valuation and Transaction Advisory at Greater China Appraisal Limited. He has over 12 years of experience in the finance sector with most of the time spent in the investment banking field. Prior to joining Greater China, Mr. Siu was a founding member as well as the CEO of Yemaigu Internet Financial Services Company, one of the fastest-growing P2P investment platforms in Shenzhen. Before that, Mr. Siu was a director at UBS AG and Daiwa Capital Markets investment banking teams, where he helped originated and executed numerous public and private fundraising transactions, including IPOs, M&As, convertible bonds, etc., with a focus on technology, resources, and renewable energy sectors in the Asia Pacific region. Mr. Siu graduated from the University of Toronto in commerce with distinction. He is also a CFA charter holder and a certified AICPA.

Faye C.Y. Chan, *CPA (Aust.)*

Senior Manager, Business Valuation & Transaction Advisory

Ms. Chan has 10 years of experience in the accounting and finance field. Her valuation expertise covers various industries including natural resources, medical, food & beverage, financial services, infrastructure, real estate, multimedia and information technology. Her works have been performed for purposes of financial reporting, initial public offerings, mergers and acquisitions. She also has experience in valuation of intangible asset including trademarks, patents, distribution networks and concession rights.

GENERAL SERVICE CONDITIONS

The service(s) provided by Greater China Appraisal Limited will be performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after completion of the engagement.

Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Greater China Appraisal Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company/firm name and logo in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(a) As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules ("**Code**"), to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares

Name of Director/ chief executive of the Company	Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company *(Note 2)*
Chu Hing Tsung (alias Zhu Qing Yi)	Interest of a controlled corporation *(Note 1)*	4,825,791,289	67.08%
Liao Tengjia	Interest of a controlled corporation *(Note 1)*	4,825,791,289	67.08%
Huang Jiajue	Beneficial owner	13,330,000	0.19%

Notes:

1. 4,825,791,289 Shares were held by Rong De, which was owned as to 34.06% by Mr. Chu Hing Tsung and as to 36.00% by Mr. Liao Tengjia. Mr. Chu Hing Tsung and Mr. Liao Tengjia were deemed to be interested in the Shares held by Rong De under the SFO. To the best knowledge of the Directors, out of the aforesaid 4,825,791,289 Shares, 425,000,000 Shares, 3,361,112,000 Shares and 200,000,000 Shares have been pledged by Rong De to CCB International Securities Limited (建銀國際證券有限公司)("**CCBIS**"), The Bank of New York Mellon, Hong Kong Branch ("**BNY HK**") and China Huarong Asset Management Company Limited, Guangdong Branch ("**CHAMCLGDBR**"), respectively. Mr. Liao Tengjia is a director of Rong De.

2. The total number of the issued Shares as at the Latest Practicable Date (i.e. 7,194,417,247 Shares) had been used for the calculation of the approximate percentage shareholders in the Company.

Interest in shares of the Company's associated corporations

Name of Director/ chief executive of the Company	Name of associated corporation	Nature of interest	Total number of ordinary shares	Approximate percentage of interest
Chu Hing Tsung (alias Zhu Qing Yi)	Rong De	Beneficial owner	68,120	34.06%
Chu Muk Chi (alias Zhu La Yi)	Rong De	Beneficial owner	59,888	29.94%
Liao Tengjia	Rong De	Beneficial owner	71,992	36.00%
Huang Jiajue	Silver Grant	Beneficial owner	4,670,000	0.20%

(b) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interest and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) which were required, pursuant to the Code, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(a) As at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, the following persons, other than a Director or the chief executive of the Company, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Part XV of the SFO or was recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	**Capacity/ Nature of interest**	**Number of Shares**	**Approximate percentage of total issued share capital of the Company** *(Note 10)*	**Number of underlying Shares**	**Approximate percentage of total issued share capital of the Company** *(Note 10)*
Rong De *(Note 1)*	Beneficial owner	4,825,791,289 (L)	67.08%	—	—
CCBIS *(Note 1)*	Security interest	425,000,000 (L)	5.91%	—	—
China Great Wall Asset Management Corporation ("**CGWAMC**") *(Note 2)*	Interest of controlled corporations	1,200,000,000 (L)	16.68%	—	—
Central Huijin Investment Limited ("**Central Huijin**") *(Note 3 and 4)*	Interest of controlled corporations	—	—	50,718,355 (L)	0.70%
	Security interest	3,361,112,000 (L)	46.72%	—	—
Agricultural Bank of China Limited ("**ABCL**") *(Note 3)*	Interest of controlled corporations	—	—	50,718,355 (L)	0.70%
	Security interest	3,361,112,000 (L)	46.72%	—	—
Ministry of Finance of the People' s Republic of China ("**MOF**") *(Note 3)*	Interest of controlled corporations	—	—	50,718,355 (L)	0.70%
	Security interest	3,361,112,000 (L)	46.72%	—	—
China Construction Bank Corporation ("**CCB**") *(Note 4)*	Interest of controlled corporations	—	—	19,608,938 (L)	0.27%
	Security interest	3,361,112,000 (L)	46.72%	—	—

Name of Shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company *(Note 10)*	Number of underlying Shares	Approximate percentage of total issued share capital of the Company *(Note 10)*
The Bank of New York Mellon Corporation ("**BNY**") *(Note 5)*	Interest of a controlled corporation	3,361,788,000 (L)	46.73%	—	—
China Orient Asset Management Co., Ltd. ("**COAM**") *(Note 6)*	Interest of controlled corporations	3,361,112,000 (L)	46.72%	144,909,586(S)	2.01%
Cheung Fong Wing *(Note 7)*	Interest of a controlled corporation	418,500,000 (L)	5.82%	—	—
Quan Xing Holdings Limited ("**Quan Xing**") *(Note 7)*	Beneficial owner	418,500,000 (L)	5.82%	—	—
中國華融資產管理股份有限公司 ("**CHAMCL**") *(Notes 8)*	Interest of controlled corporations	220,216,000 (L)	3.06%	—	—
	Security interest	1,586,000,000 (L)	22.04%	—	—
China Cinda Asset Management Co., Ltd. ("**CCAM**") *(Note 9)*	Interest of controlled corporations	3,361,112,000 (L)	46.72%	86,221,203 (L)	1.20%

(L) Long position

(S) Short position

Notes:

1. The Shares comprised the 4,825,791,289 Shares beneficially owned by Rong De as stated under the section headed "2. Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures — Long position in the Shares" in this appendix. To the best knowledge of the Directors, out of the aforesaid 4,825,791,289 Shares, 425,000,000 Shares, 3,361,112,000 Shares and 200,000,000 Shares have been pledged by Rong De to CCBIS, BNY HK and CHAMCLGDBR, respectively.

2. According to the disclosure of interest notice filed by CGWAMC on 17 July 2014, Evergreat Prosper Limited held direct interest in the Shares and is a wholly-owned subsidiary of Great Wall Pan Asia International Investment Company Limited ("**GWPAIICL**"). GWPAIICLis a wholly-owned subsidiary of CGWAMC. Accordingly, GWPAIICL and CGWAMC are deemed to be interested in the Share held by Evergreat Prosper Limited by virtue of the provisions of the SFO.

3. According to the disclosure of interest notices filed by ABCL and Heroic Day Limited ("**Heroic Day**") on 15 October 2019, Heroic Day held direct interest in 3,361,112,000 Shares and 50,718,355 underlying Shares. Heroic Day is a wholly-owned subsidiary of ABCI Investment Management Limited ("**ABCIIM**"). ABCIIM is a wholly-owned subsidiary of ABC International Holdings Limited ("**ABCIH**"). ABCIH is a wholly-owned subsidiary of ABCL. According to the disclosure of interest notices filed by Central Huijin and MOF on 16 October 2019 and 15 October 2019 respectively, ABCL is in turn owned as to 40.03% by Central Huijin and as to 35.29% by MOF. Accordingly, ABCIIM, ABCIH, ABCL, Central Huijin and MOF are deemed to be interested in the Shares and the underlying Shares held by Heroic Day by virtue of the provisions of the SFO.

4. According to the disclosure of interest notice filed by CCB on 27 September 2019, CCB International Overseas Limited ("**CCBIO**") held direct interest in 3,361,112,000 Shares and 19,608,938 underlying Shares, and is a wholly-owned subsidiary of CCB International (Holdings) Limited ("**CCBIH**"). CCBIH is a wholly-owned subsidiary of CCB Financial Holdings Limited ("**CCBFH**"). CCBFH is a wholly-owned subsidiary of CCB International Group Holdings Limited ("**CCBIG**"). CCBIG is a wholly-owned subsidiary of CCB. According to the disclosure of interest notice filed by Central Huijin on 16 October 2019, CCB is owned as to 57.11% by Central Huijin. Accordingly, CCBIH, CCBFH, CCBIG, CCB and Central Huijin are deemed to be interested in the Shares and the underlying Shares held by CCBIO by virtue of the provisions of the SFO.

5. According to the disclosure of interest notice filed by BNY on 24 September 2019, the Bank of New York Mellon held direct interest in 3,361,788,000 Shares and a lending pool consisting of 588,000 Shares, and is wholly-owned by BNY. Accordingly, BNY is deemed to be interested in the Shares held by the Bank of New York Mellon by virtue of the provisions of the SFO.

6. According to the disclosure of interest notice filed by COAM on 28 November 2019, Blooming Rose Enterprises Corp ("**Blooming Rose**") held direct interest in 3,361,112,000 Shares and short positions in 144,909,586 underlying Shares, and is a wholly-owned subsidiary of China Orient Asset Management (International) Holding Limited ("**COAM International**"). COAM International is held as to 50% by Wise Leader Assets Ltd ("**Wise Leader**") and as to 50% by Dong Yin Development (Holdings) Limited ("**Dong Yin**"). Wise Leader is held as to 100% by Dong Yin and Dong Yin is a wholly-owned subsidiary of COAM. Accordingly, COAM International, Wise Leader, Dong Yin and COAM are deemed to be interested in the Shares and the underlying Shares held by Blooming Rose by virtue of the provisions of the SFO.

7. According to the disclosure of interest notice filed by Quan Xing on 25 April 2019, Quan Xing which is wholly-owned by Mr. Cheung Fong Wing, was the beneficial owner of 418,500,000 Shares. Accordingly, Mr. Cheung Fong Wing is deemed to be interested in the Shares held by Quan Xing by virtue of the provisions of the SFO.

8. According to the disclosure of interest notice filed by CHAMCL on 13 May 2020 ("**CHAMCL Notice**"), Beyond Steady Limited ("**Beyond Steady**"), a wholly-owned subsidiary of Linewear Assets Limited ("**Linewear**"), held direct interest in 220,216,000 Shares. Linewear is a wholly-owned subsidiary of Huarong International Financial Holdings Limited ("**Huarong International**"). Huarong International is held as to 51% by Camellia Pacific Investment Holding Limited ("**Camellia Pacific**"), which in turn is a wholly-owned subsidiary of China Huarong International Holdings Limited ("**CHIH**"). CHIH is held as to 1.8% by Huarong Zhiyuan Investment & Management Co., Ltd. ("**HZY**"), 13.36% by Huarong Real Estate Co., Ltd. ("**HRE**") and 84.84% by CHAMCL. Each of HZY and HRE is a wholly-owned subsidiary of CHAMCL. Accordingly, Linewear, Huarong International, Camellia Pacific, CHIH, HZY, HRE and CHAMCL are deemed to be interested in the Shares held by Beyond Steady by virtue of the provisions of the SFO. According to the CHAMCL Notice, China Huarong International Holdings Limited（中國華融國際控股有限公司）("**CHIHL**") held direct interest in 1,586,000,000 Shares and is a wholly-owned subsidiary of CHAMCL. Accordingly, CHAMCL is deemed to be interested in the Shares held by CHIHL by virtue of the provisions of the SFO.

9. According to the disclosure of interest notice filed by CCAM on 29 November 2019, China Cinda (HK) Asset Management Co., Limited ("**Cinda**") held direct interest in 3,361,112,000 Shares and 86,221,203 underlying Shares, and is a wholly-owned subsidiary of China Cinda (HK) Holdings Company Limited ("**CCHK**"), which is in turn wholly-owned by CCAM. Accordingly, CCHK and CCAM are deemed to be interested in the Shares and the underlying Shares held by Cinda by virtue of the provisions of the SFO.

10. The total number of issued Shares as at the Latest Practicable Date (i.e. 7,194,417,247 Shares) had been used for the calculation of the approximate percentage shareholdings in the Company.

(b) Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive officer of the Company was aware of any other persons (other than a Director of the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Part XV of the SFO or was recorded in the register required to be kept by the Company under section 336 of the SFO.

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

Save as disclosed below, as at the Latest Practicable Date, there was no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group as a whole:

(a) Purchase of properties in Guangzhou

On 17 December 2014, 廣州愉捷貿易有限公司 (Guangzhou Yujie Trading Company Limited*), a wholly-owned subsidiary of the Company as purchaser, conditionally entered into 50 preliminary sale and purchase agreements ("**Huangsha SP Agreements**") with 廣州黄沙鐵路房地產開發有限公司 (Guangzhou Huangsha Railway Real Property Development Company Limited*), an independent third party, as vendor ("**Guangzhou Huangsha**"), in relation to the acquisition of 50 properties ("**Acquired Properties**") in Guangzhou, the PRC, jointly developed by 廣州珠光投資有限公司 (Guangzhou Zhuguang Investment Company Limited*) ("**GZ Investment**"), a related party of the Group, and an independent third party, at the consideration of RMB1,106,820,000 (equivalent to approximately HK$1,403,881,000) which shall be settled by cash ("**Huangsha Project**"). GZ Investment is entitled to 75% of the distributable interests ("**Right**") under the Huangsha Project and the income derived therefrom. In November 2014, Mr. Chu Hing Tsung, the chairman of the Board and an executive Director, has acquired from GZ Investment, at the consideration of RMB760,000,000 (equivalent to approximately HK$963,978,000), part of the Right ("**Acquired Right**"), pursuant to which he is entitled to request Guangzhou Huangsha to transfer three of the buildings ("**Phase I Buildings**") in relation to phase I of the Huangsha Project to him, or alternatively he is entitled to the sale proceeds of the Phase I Buildings if he requests Guangzhou Huangsha to sell the Phase I Buildings for him. The Acquired Properties are part of the underlying interest in the Acquired Right. The Huangsha SP Agreements subsisted as at the Latest Practicable Date. For details of the Huangsha SP Agreements, please refer to the circular of the Company dated 5 March 2015.

(b) 2019 Senior Notes

The conditional note purchase agreement ("**2019 Note Purchase Agreement**") dated 22 September 2019 (as amended and supplemented from time to time) was entered into among (a) the Company as the issuer; (b) Rong De as the controlling shareholder of the Company; (c) Blooming Rose, Heroic Day, Cinda and CCBIO, each in its capacity as investor, (collectively, the "**2019 Investors**"); and (d) Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi (collectively, the "**Ultimate Shareholders**") as personal guarantors, pursuant to which the Company shall conditionally, among others, issue to the 2019 Investors, the senior secured guaranteed notes ("**2019 Senior Notes**") of an aggregate principal amount of up to US$410,000,000, further details of which are set out in the announcement of the Company dated 22 September 2019, and the circular of the Company dated 5 November 2019.

* *For identification purpose only*

Pursuant to the 2019 Note Purchase Agreement (as amended and supplemented from time to time), Rong De was required to create a charge ("**2019 Share Charge**") over 3,361,712,000 ordinary shares that it held in the Company in favour of BNY HK and each of the Ultimate Shareholders has entered into a personal guarantee (collectively, the "**2019 Guarantees**") in favour of BNY HK in relation to the 2019 Senior Notes. The 2019 Share Charge and the 2019 Guarantees subsisted as at the Latest Practicable Date.

(c) CCBIS Margin Loan

On 25 October 2018, Splendid Reach Limited ("**Splendid**"), a wholly-owned subsidiary of the Company, as borrower, and CCBIS, as lender, entered into a margin loan confirmation ("**CCBIS Margin Loan Confirmation**"), under which CCBIS agreed to make available to Splendid a margin loan over the term ("**Term**") of not more than 12 months, in the principal amount of up to HK$750,000,000 (for the first five business days of the Term) and HK$550,000,000 (from and including the sixth business day of the Term and thereafter), at the interest rate of 7.75% per annum ("**CCBIS Margin Loan**"), with interest payable quarterly, further details of which are set out in the announcement of the Company dated 25 October 2018. On 1 November 2019, Splendid and CCBIS have entered into a deed ("**Amendment Deed**") to amend and supplement certain terms, including the term, the principal amount and the interest rate of the CCBIS Margin Loan, under the CCBIS Margin Loan Confirmation (as amended and supplemented from time to time) with effect from 30 October 2019. Pursuant to the Amendment Deed, among others, the Term has been amended to the effect that the CCBIS Margin Loan shall mature on 30 October 2020. Further details of the Amendment Deed are set out in the Company's announcement dated 1 November 2019.

Pursuant to the CCBIS Margin Loan Confirmation, (a) Rong De (the controlling shareholder of the Company) was required to enter into a charge dated 25 October 2018 ("**SL Rong De Charge**"), in favour of CCBIS, over a margin securities trading account opened by Rong De with CCBIS ("**SL Rong De Account**"), into which Rong De shall deposit, among other assets, no less than 100,000,000 Shares held by Rong De before the first drawdown date and no less than 150,000,000 Shares held by Rong De on or before the 60th day of the Term; and (b) the Company and the Ultimate Shareholders were required to enter into a continuing guarantee dated 25 October 2018 ("**CCBIS Continuing Guarantee**"), in favour of CCBIS, to guarantee the settlement of all liabilities and obligations of Splendid under the CCBIS Margin Loan. The SL Rong De Charge and the CCBIS Continuing Guarantee subsisted as at the Latest Practicable Date.

(d) Issue of perpetual capital securities

On 29 October 2018, the Company issued perpetual capital securities ("**Perpetual Securities**") in the aggregate principal of HK$800,000,000 at a distribution rate of 6% per annum to Rong De (the controlling shareholder of the Company). The Perpetual Securities have no fixed redemption date and are redeemable at the option of the Company at any time and from time to time, whether in whole or in part, at any time after its issue. While distribution is payable by the Company every six months, the Company may, at its sole discretion, elect to defer, in whole or in part, any distribution (including any arrears of distribution) to the next distribution payment date. The proceeds from the issue of the Perpetual Securities were used for financing the corporate funding requirement of the Group. The Perpetual Securities subsisted as at the Latest Practicable Date.

(e) Property management contracts

On 23 January 2020, the Group has entered into a number of pre-delivery management agreements and post-delivery management agreements (collectively, the "**Management Agreements**") with 廣州珠光 物業管理有限公司 (Guangzhou Zhuguang Property Management Company Limited*) ("**Management Company**"), pursuant to which the Management Company agreed to provide various property management services in respect of certain property projects to the Group.

The Management Company is owned as to 90% by Ms. Zhu Ziyu* (朱梓瑜), who is (i) a daughter of Mr. Chu Hing Tsung, an executive Director, the chairman of the Board and a 34.06% shareholder of Rong De (a controlling shareholder of the Company (within the meaning of the Listing Rules); and (ii) a niece of Mr. Chu Muk Chi, an executive Director and a 29.94% shareholder of Rong De (a controlling shareholder of the Company (within the meaning of the Listing Rules)).

Further details of the Management Agreements are set out in the announcement of the Company dated 23 January 2020.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. LITIGATION

As at the Latest Practicable Date, there were no litigations or claims of material importance pending or threatened against any member of the Group which was known to the Directors.

* *For identification purpose only*

6. SERVICE CONTRACTS

As at the Latest Practicable Date, no Directors had any existing or proposed service contracts with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory compensation.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Group within two years immediately preceding the issue of this circular which are or may be material:

(a) the sale and purchase agreement dated 24 June 2018 entered into between 廣州御德投資有限公司 (Guangzhou Yude Investment Company Limited*) (a wholly-owned subsidiary of the Company) as purchaser and Guangdong Zhuguang Group as vendor in relation to the acquisition of the entire equity interest of Guangzhou Zhuguang Property at the consideration of RMB700 million (equivalent to approximately HK$847 million) (subject to adjustment), further details of which are set out in the announcement of the Company dated 24 June 2018;

(b) the transfer agreement dated 29 June 2018 entered into between Xianghe Purchaser, Langfang Xianghe, Mr. Tong Dexin* (佟德新), Mr. Tong Demin* (佟德珉), Xianghe Target, Guangdong Zhuguang Group and Xianghe Runfa, pursuant to which the parties agreed, among other things, that (i) Xianghe Purchaser and Langfang Xianghe transfer all their rights and obligations under the Equity Transfer Agreement and the Further Supplemental Agreements (collectively as "**Original Agreements**") to Xianghe Runfa for the consideration of RMB400,000,000 (equivalent to approximately HK$474,440,000 ("**Transfer**"); and (ii) following the Transfer, Xianghe Purchaser and Langfang Xianghe shall cease to have any rights and shall be discharged from all of their obligations and liabilities under the Original Agreements, further details of which are set out in the announcement of the Company dated 29 March 2017, 3 April 2017, 24 April 2017, 11 May 2017, 26 June 2017, 29 August 2017, 29 December 2017, 31 January 2018, 12 March 2018 and 29 June 2018;

(c) the sale and purchase agreement dated 29 June 2018 entered into between the Company as purchaser and CGNPC International Limited (中廣核國際有限公司) ("**CGNPC**") as vendor in relation to the acquisition of the legal and beneficial interests in 364,140,000 ordinary shares in the issued share capital of Silver Grant, representing approximately 15.80% of the total issued share capital of Silver Grant as at 29 June 2018, for a consideration of HK$1,121,551,200, further details of which are set out in the announcement of the Company dated 29 June 2018, 31 July 2018, 26 September 2018, 31 October 2018 and the circular of the Company dated 19 September 2018;

* *For identification purpose only*

(d) the sale and purchase agreement dated 29 June 2018 entered into among the Company as purchaser, Silver Grant Group Limited (銀建集團有限公司) ("**Vendor B**") as vendor and Gao Jian Min* (高建民) as guarantor for Vendor B ("**Vendor B Guarantor**") in relation to the acquisition of the legal and beneficial interests in 291,220,022 ordinary shares in the issued share capital of Silver Grant, representing approximately 12.64% of the total issued share capital of Silver Grant as at 29 June 2018, for a consideration of HK$896,957,668, further details of which are set out in the announcement of the Company dated 29 June 2018, 31 July 2018, 26 September 2018 and 31 October 2018 and the circular of the Company dated 19 September 2018;

(e) the second supplemental agreement to the sale and purchase agreement dated 2 August 2018 entered into between South Trend (a wholly-owned subsidiary of the Company) as purchaser, Quan Xing as vendor and Mr. Cheung as guarantor, upon which the parties agreed to extend the long stop date of the sale and purchase agreement dated 23 June 2017, further details of which are set out in the announcement of the Company dated 23 June 2017, 27 October 2017, 14 February 2018, 28 March 2018 and 29 June 2018, 2 August 2018, 31 October 2018 and 28 December 2018 and 1 July 2019;

(f) the supplemental agreement to the sale and purchase agreement dated 26 September 2018 entered into between the Company and CGNPC to amend certain terms of the sale and purchase agreement dated 29 June 2018, further details of which are set out in the announcement of the Company dated 29 June 2018, 31 July 2018, 26 September 2018, 31 October 2018 and the circular of the Company dated 19 September 2018;

(g) the supplemental agreement to the sale and purchase agreement dated 26 September 2018 entered into among the Company, Vendor B and Vendor B Guarantor, to amend certain terms of the sale and purchase agreement dated 29 June 2018, further details of which are set out in the announcement of the Company dated 29 June 2018, 31 July 2018, 26 September 2018 and 31 October 2018 and the circular of the Company dated 19 September 2018;

(h) the subscription agreement dated 26 November 2018 entered into between the Company and Rong De (a controlling Shareholder), pursuant to which the Company has conditionally agreed to allot and issue, and Rong De has conditionally agreed to subscribe for, 770,000,000 new Shares ("**Subscription Shares**") at HK$1.30 per Subscription Share, further details of which are set out in the announcement of the Company dated 26 November 2018 and 2 January 2019 and the circular of the Company dated 12 December 2018;

* *For identification purpose only*

(i) the sale and purchase agreement dated 25 December 2018 entered into between Guangzhou Zhuguang Property (a wholly-owned subsidiary of the Company) as purchaser, and Xiu Yuan as vendor, in relation to the acquisition of the registered capital of RMB48 million of Yu Ying, representing 30% of the equity interest of Yu Ying, at the consideration of RMB240 million (equivalent to approximately HK$270 million), further details of which are set out in the announcement of the Company dated 27 December 2018;

(j) the third supplemental agreement to the sale and purchase agreement dated 28 December 2018 entered into between South Trend (a wholly-owned subsidiary of the Company) as purchaser, Quan Xing as vendor and Cheung Fong Wing as guarantor, upon which the parties agreed to further extend the long stop date of the sale and purchase agreement dated 23 June 2017, further details of which are set out in the announcement of the Company dated 23 June 2017, 27 October 2017, 14 February 2018, 28 March 2018 and 29 June 2018, 2 August 2018, 31 October 2018, 28 December 2018 and 1 July 2019;

(k) the sale and purchase agreement dated 24 January 2019 entered into between the Vendor as vendor, and Guangzhou Rongcheng as purchaser, pursuant to which the Vendor agreed to sell and Guangzhou Rongcheng agreed to acquire 10% of the equity interest in the Target Company at nil consideration;

(l) the sale and purchase agreement dated 18 December 2019 entered into between South Trend (a wholly-owned subsidiary of the Company) as purchaser, Quan Xian as vendor and Mr. Cheung as guarantor, pursuant to which South Trend agreed to acquire 100% of the issued share capital of All Flourish at the consideration of RMB1,050 million (equivalent to approximately HK$1,165.7 million), further details of which are set out in the Company's announcement dated 18 December 2019;

(m) the Co-Development Agreement; and

(n) the sale and purchase agreement dated 19 June 2020 entered into between Guangzhou Rongcheng as vendor, and the Vendor as purchaser, pursuant to which Guangzhou Rongcheng agreed to sell and the Vendor agreed to acquire 10% of the equity interest in the Target Company at nil consideration, further details of which are set out in the Company's announcement dated 19 June 2020.

* *For identification purpose only*

8. COMPETING INTERESTS

Pursuant to Rule 8.10 of the Listing Rules, Mr. Liao Tengjia and Mr. Huang Jiajue, both being executive Directors, were interested as directors in companies that are engaged in the businesses of property development, investment and property rental in the PRC (“**Competing Businesses**”). As such, they were regarded as being interested in such Competing Businesses, which competed or might compete with the Group. However, as the above Directors cannot control the Board, and a Director who has material interest in a subject matter to be resolved will abstain from voting in the Board meeting concerned, the interests of the above Directors in the Competing Businesses will not prejudice their capacity as Directors nor compromise the interests of the Group and the Shareholders.

Other than as disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective associates (as defined in the Listing Rules) were interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

9. EXPERTS AND CONSENT

The following is the qualification of the experts whose statements have been included in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Greater China	Independent professional valuer

Each of Ernst & Young and Greater China has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or opinions or reports or references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of Ernst & Young and Greater China did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of Ernst & Young and Greater China did not have any direct or indirect interests in any assets which have been, since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The principal place of business of the Company in Hong Kong is at Room 5702-5703, 57th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Mr. Chan Chit Ming, Joeie, who is a fellow member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants, as well as a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any business day in Hong Kong at the Company's principal place of business in Hong Kong at Room 5702-5703, 57th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong from the date of this circular up to and including 17 July 2020:

(a) the memorandum of association and the bye-laws of the Company;

(b) the annual reports of the Company for the years ended 31 December 2018 and 2019;

(c) the report by Ernst & Young on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular;

(d) the Property Valuation Report as set out in Appendix IV to this circular;

(e) the Business Valuation Report as set out in Appendix V to this circular;

(f) the written consent referred to in the section headed "Experts and Consent" in this appendix;

(g) the material contracts referred to in the section headed "Material Contracts" in this appendix; and

(h) all circulars of the Company issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which have been issued since 31 December 2019 and including this circular.

ZHUGUANG HOLDINGS GROUP COMPANY LIMITED
珠 光 控 股 集 團 有 限 公 司 *

(incorporated in Bermuda with limited liability)

(stock code: 1176)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("**Meeting**") of Zhuguang Holdings Group Company Limited ("**Company**") will be held at 2:15 p.m., on Friday, 17 July 2020, at Meeting Room No. 1, 19/F., Zhuguang Xincheng International Centre, Block B, No. 3 Qingyi Street, Race Course Road, Tianhe District, Guangzhou, The People's Republic of China, or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT:**

(a) the agreement dated 22 April 2020 entered into between (i) the Company; (ii) United Talent Investments Limited (a wholly-owned subsidiary of the Company); (iii) 廣州御宏投資有限公司 (for identification only, Guangzhou Yuhong Investment Company Limited) (a non-wholly-owned subsidiary of the Company); (iv) Skyleap Investments Limited (a wholly-owned subsidiary of the Company); and (v) 廣州博浩企業管理合伙企業(有限合伙) (for identification only, Guangzhou Bohao Corporate Management Partnership (Limited Liability Partnership)), in relation to the Disposal (as defined in the circular of the Company dated 24 June 2020, a copy of which has been produced to the Meeting marked "A" and initialled by the chairman of the Meeting for the purpose of identification) ("**Co-Development Agreement**") (a copy of the Co-Development Agreement has been produced to the Meeting marked "B" and initialled by the chairman of the Meeting for the purpose of identification) be and is hereby approved, confirmed and ratified and the transactions contemplated thereunder be and are hereby approved; and

* *For identification purpose only*

(b) any one of the directors of the Company ("**Directors**") be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Co-Development Agreement and the transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (excluding any variation, amendments or waiver of such documents or any terms thereof, which are fundamentally and materially different from those as provided for in the Co-Development Agreement and which shall be subject to the approval of the shareholders of the Company) as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole."

On behalf of the Board
Zhuguang Holdings Group Company Limited
Chu Hing Tsung
Chairman

Hong Kong, 24 June 2020

Registered office:	*Principal Place of Business in Hong Kong:*
Clarendon House	Room 5702-5703, 57th Floor
2 Church Street	Two International Finance Centre
Hamilton HM11	8 Finance Street
Bermuda	Central, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company.

2. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 2:15 p.m. on Wednesday, 15 July 2020 or in any event not less than 48 hours before the time appointed for the holding the Meeting or any adjournment thereof (as the case may be).

3. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Meeting or any adjournment thereof (as the case may be) should you so wish.

4. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the Meeting will be Monday, 13 July 2020. In order to qualify for the entitlement to attend and vote at the Meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Monday, 13 July 2020.

5. For joint registered holders of any shares of the Company, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such shares of the Company as if the shareholder was solely entitled thereto, but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such shares of the Company shall alone be entitled to vote in respect thereof.

6. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolution will be decided by way of poll.

7. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the board of the Directors comprises (i) six executive Directors, namely, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) (Chairman), Mr. Liu Jie (Chief Executive Officer), Mr. Liao Tengjia (Deputy Chairman), Mr. Huang Jiajue (Deputy Chairman), Mr. Chu Muk Chi (alias Mr. Zhu La Yi) and Ms. Ye Lixia; and (ii) three independent non-executive Directors, namely, Mr. Leung Wo Ping JP, Mr. Wong Chi Keung and Dr. Feng Ke.